

Garage Wine Company: The Case for Authenticity as a Marker for Luxury Market Success

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INTRODUCTION

Surveying the luxury goods market in the wake of the COVID-19 pandemic and social unrest faced by the world in 2020, there is evidence that these events have impacted even the richest among us (Kestenbaum, 2020; Willersdorf et al., 2020; Wintermeier, 2021). Luxury consumers are finding themselves less comfortable with conspicuous affluence as they confront more visible, and often jarring, social, health, and economic disparities (Kestenbaum, 2020; Willersdorf et al., 2020; Wintermeier, 2021). More contemporary luxury shoppers—who are increasingly defined by the values of youth culture and many of whom are members of Millennial and Gen Z generations—are disrupting tradition by demanding that brands evidence authenticity and social responsibility (Danzinger, 2018; Wintermeier, 2021). As with most significant trends emerging in the years prior to 2020, luxury consumers' search for genuine value across a range of categories has been accelerated by the COVID-19 pandemic (Wintermeier, 2021). Examining how a small Chilean winery, Garage Wine Company, has broken through in the challenging fine wine sector using the assets of authenticity and social responsibility brings this fast-tracking trend to life. It also provides a glimpse into the implications of this case study for other insurgent entrepreneurs looking to succeed in the post-coronavirus luxury market.

AN OVERNIGHT SENSATION 20 YEARS IN THE MAKING

The origin story of Garage Wine Co. mirrors that of Hewlett-Packard, the originator of the idea of “garage as a space for invention” (Erlanger & Ortega, 2018, para. 1). Founders Pilar Miranda, an agricultural engineer and winemaker, and Derek Mossman, a one-time ski coach and comparative literature major at Columbia University, began making wine for an informal market of family and friends in 2001 (Garage Wine Co., n.d.). But like Hewlett-Packard and other famous startups, the early work in the garage was only a small part of the Garage Wine Co. story. They tested and learned, experimented and explored, and their wines from grapes grown on small parcels generated enough interest from the fine wine market to the point that their hobby grew into a full-time business for both of them (Garage Wine Co., n.d.). They each had established corporate careers but were drawn to the opportunity to make quality wines in good faith with growers, suppliers, and partners (Garage Wine Co., n.d.). The couple was joined by Alvaro Peña, a leading wine scientist and researcher and, more recently, former global wine executive and serial entrepreneur Ernesto Muller to power Garage Wine Co. to become a nimble albeit small player in the Chilean wine business, one dominated by large, established, and well-financed wineries (Garage Wine Co., n.d.).

In August of 2021, *Robert Parker's Wine Advocate* awarded 99-point ratings to two of the company's 2018 vintages as well as 98-point ratings to three other wines from Garage Wine Co. (Gutiérrez, 2021). This was the first time that a Chilean wine had ever received a 99-point score from *Robert Parker's Wine Advocate*, an authenticator considered to be the most influential critic in the wine world particularly among wine investors, a prominent group in the luxury goods market (Souter, 2021).

ASSETS THAT DISTINGUISH A DAVID AMONG GOLIATHS

For many in the fine wine business, the question being asked is how did this insurgent brand reach such a vaunted position within a luxury segment that is more known for tradition and lineage? The answer lies at the intersection of the company's values—authenticity and social responsibility—and those of a consumer segment that is currently undergoing significant change as a result of trends accelerated by the pandemic and the social justice movement.

Goldstein and Carpenter (in press) posit that authenticity is an important, but often overlooked, competitive advantage for luxury brands. Authenticity in the luxury segment can be defined in a number of ways but a helpful classification from which to explore the success of Garage Wine Co. is a semiotic framework developed by Peirce (1998). This approach distinguishes between two kinds of authenticity—indexical (connected to something real) and iconic (conforming to accepted standards)—both of which are evident at Garage Wine Co. (Grayson & Martinec, 2004).

Garage Wine Co. found its way more than a decade ago when it linked its future growth not to the better-known Maipo or Colchagua valleys where most Chilean wine grapes are grown but to the unique but undervalued fruit produced by old vineyard hands further south in the Maule and Itata valleys (Garage Wine Co., n.d.). Some of the small family farms in this region—typically one to two hectares of vineyards—were originally planted with the raisin seeds that first came to Chile on board Spanish ships in the 1600s to make wine for Catholic mass (Garage Wine Co., n.d.). Working with small-scale farmers of older vineyards in these two valleys, collectively known historically as the *Secano Interior*, anchored the company's authenticity indexically to the living *patrimonio* or heritage of winemaking in Chile (Garage Wine Co., n.d.).

This indexical authenticity was cited by the *Robert Parker's Wine Advocate* critic, Luis Gutiérrez (2021), who bestowed the 99-point rankings in his recent review:

I always found the wines intellectually enriching, and the way they work pleases me very much, trying to help local plowmen to add value to their work and their land. The philosophy, the attitude, the coherence, the respect for rural life, old vineyards and old timers, often partners in their labor, is enviable. (Garage Days Re-Visited section, para. 6)

As with many enduring luxury brands, this indexical authenticity is not just posturing but rather the basis for a better product. In the case of the vineyards in the *Secano Interior*, they are on the folds of the coastal range of mountains next to the Pacific rather than the Andes range that forms the spine of South America (Garage Wine Co., n.d.). The coastal mountains are older and cooled more slowly so the Maule and Itata valleys have decomposed granitic soils desirable for fine wine grapes (Garage Wine Co., n.d.). Often the provenance of wines takes center stage but as noted by Gutiérrez (2021), there is much to be said for the farming practices that have evolved over generations giving the wines from the *Secano Interior* their winning personalities.

The families in this region have been practicing regenerative agriculture on their plots (such as dry farming in which the earth is turned to capture scarce seasonal rainwater) as a way of life since colonial times (Garage Wine Co., n.d.).

The ability for Garage Wine Co. to marry the fieldcraft of these small-scale farmers with the lens of modern science to produce wines with globally recognized ratings is what provides it with iconic authenticity. This iconicity, as defined by recognized norms, is not just the result of a one-time rating event but rather a reputation burnished over time as the vintages from Garage Wine Co. have developed and the company has grown (Gutiérrez, 2021).

Concurrent with the search for authenticity, luxury goods consumers are ever more interested in understanding how brands interact with employees, communities, and the environment so they can rest assured that their purchases align with evolving societal standards for sustainability in all its dimensions (Kestenbaum, 2020). Protests against racism and social inequity in many countries have placed a heightened focus on diversity and inclusion, and this has touched the luxury segment (Willersdorf et al., 2020). The fact that the origin story of Garage Wine Co. is replete with nods to sustainability, diversity, and inclusion has allowed it to carve out a space in the fine wine business that is authentic in how it connects with consumers on these dimensions.

NECESSITY AS THE MOTHER OF SUSTAINABILITY

Unlike brands that have adopted a veneer of sustainability as a marketing ploy, the founders of Garage Wine Co. have a history of running their business in ways that authentically reflect their need to be sustainable for it to thrive. They faced a number of obstacles in building their small business in a mature industry with suppliers predisposed to serve large players (Garage Wine Co., n.d.). Small-scale production in the early years meant that it was hard for them to find vendors to supply bottles, labels, and capsules (covers, typically foil, that seal the corks) so these entrepreneurs found workarounds that only later would be identified as sustainable (Garage Wine Co., n.d.). For bottles, they sourced them from a local recycler who provides stable employment for impoverished rural communities (Garage Wine Co., n.d.). They learned to paint and silk-screen bottles using soy inks because the bottlings were too small to entice label printers to work with them (Garage Wine Co., n.d.). They came up with an innovative solution to sourcing capsules: they convinced a school supplies firm to make them food-safe crayon wax that they could heat up and dip the tops of the bottles into to create a colorful and biodegradable seal (Garage Wine Co., n.d.).

As Garage Wine Co. grew, the company needed fermentation tanks, a large capital expense that proved daunting (Garage Wine Co., n.d.). Unable to afford new tanks, they bought leftover cuttings of a large stainless-steel manufacturer as scrap and pieced together usable albeit oddly shaped tanks for far less money (Garage Wine Co., n.d.). In the process, the company entered the upcycling movement repurposing discarded materials and creating opportunities for local welding shops (Garage Wine Co., n.d.).

DIVERSITY STARTS AT THE TOP

Historically, the only way a woman could take over a family wine company was for her husband to die. (McCoy, 2020). Despite the progress that has been witnessed in many business sectors, the wine industry is still challenged by gender inequality (McCoy, 2020). The fact that the CEO of Garage Wine Co. is a woman speaks to its start-up mentality that seeks to rewrite the rules of the game by bypassing the constraints of entrenched exclusion found in many corporate

cultures (Garage Wine Co., n.d.). This insurgent approach is an appealing attribute to a new generation of luxury consumers (Willersdorf et al., 2020).

INCLUSION REVIVES VINEYARDS IN MARGINALIZED REGIONS TO MAKE COVETED WINE

Until Garage Wine Co. and other enlightened craft producers ventured to the *Secano Interior* in search of better fruit, the vineyards in this region were sidelined by the wine industry (Garage Wine Co., n.d.). Market forces pushing for higher volumes and lower costs made it increasingly difficult for these out-of-the-way farmers to sell their old-vine grapes at a price that could sustain their small vineyards (Garage Wine Co., n.d.).

More than a decade ago, Garage Wine Co. made a commitment to revive these old vineyards in marginalized rural Chilean communities (Garage Wine Co., n.d.). The results have been a marked improvement in the health of the vineyards and the quality of the fruit produced, and, ultimately, more flavorful wines (Garage Wine Co., n.d.). This virtuous cycle has resulted in more coveted wines that command higher prices which in turn allow for small-scale farming to continue to be sustained through higher per-kilo fruit prices (Garage Wine Co., n.d.).

IMPLICATIONS OF AUTHENTICITY AND RESPONSIBILITY FOR THE FUTURE OF LUXURY

According to D'Arpizio et al. (2021), the luxury segment is in the midst of consumer shifts this decade that are spurring firms to act with more purpose and dynamism. This is especially true in the fine wines and spirits space where global sales are decreasing by an average 10% to 13% on average annually (D'Arpizio et al., 2021). For winemakers, refuge can be found in the high-end wine segment where brands are "more resilient...due to its stronger connection with personal gratification and collection" (D'Arpizio et al., 2021, para. 4). It is within this market frame of luxury wine customers preferring quality over quantity that Garage Wine Co. has been able to grow in an authentic and sustainable way to reach an annual production of roughly 100,000 bottles of fine wine that are sold in nearly 20 countries by high-end retailers and in fine-dining restaurants (including many Michelin-starred establishments) (D'Arpizio et al., 2021; Garage Wine Co., n.d.).

Success in the luxury segment through a focus on authenticity and social responsibility is also evident in other luxury categories. Rolex has long parlayed its connection to achievements such as scaling Mount Everest and breaking land-speed records to command a significant price premium in the high-end watch market (Goldstein and Carpenter, in press). More recently, Canada Goose has drawn on its historical authenticity as a producer of high-performance jackets used by mountaineers and explorers to gain market share with luxury buyers in the outerwear segment (Goldstein and Carpenter, in press). Nudie Jeans, a high-end denim retailer, has adopted an approach pioneered by outdoor clothing and gear maker Patagonia Inc. that offers consumers free repairs to extend the life of their jeans, a buyback plan if they tire of the style, and a used jeans purchase program (Kestenbaum, 2020).

As noted by Goldstein and Carpenter (in press), there is danger in seeking differentiation through authenticity if it is performative and not, for lack of a better word, authentic. If done properly, through indexicality and iconicity, as is the case with Garage Wine Co., luxury brands can succeed with an insurgent mindset (D'Arpizio et al., 2021; Goldstein & Carpenter, in press).

The ability for luxury players to take a more transparent approach that lifts up authenticity and sustainability will ensure they remain relevant to contemporary luxury consumers, especially for younger generations who are predicted to drive 180% of the market growth from 2019 to 2025 (D'Arpizio et al., 2021).

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