

**Microbrewing and entrepreneurship : the origins,
development and integration of real ale breweries in Britain**

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Microbrewing and Entrepreneurship: The Origins, Development and Integration of Real Ale Breweries in Britain

Abstract

This paper reports an exploratory two-stage study of microbreweries in the UK. The first stage comprises an analysis of data from the Society of Independent Brewers to offer an aggregate picture of the sector. The second stage reports qualitative study of the experiences of 14 microbreweries. The findings from the fieldwork identify that the UK microbrewing sector is growing; competitiveness with the brewing establishment is based on artisan manufacture, provenance and diversity, rather than price; and that the sector is contestable but operates as a competitive fringe within the greater industry. The study illustrates that microbreweries can contribute to local economies and as a consequence of the innovation, diversity and growth in the sector, entrepreneurship is evidenced. While saturation seems a threat, the evidence presented here suggests UK microbrewing is a healthy sector, with likelihood of ongoing growth and contribution.

Key Words: microbreweries; entrepreneurs; motivations and attitudes; niche markets and branding

Introduction

Over recent years there has been a significant and continuing rise in the establishment and operation of microbreweries in the UK (SIBA, 2013), and many of these are of absolute and relative importance in local economies and communities. Despite this growth and development, there has been but sparse research dedicated to this sector in the UK (Cabras et al, 2011; Maye, 2012; Centre for Regional Economic Development, 2010; SIBA, 2011), although there has been a steady flow of research in the US. The aim of this paper is to investigate the experience of owning and managing a microbrewery in Britain. The recent patterns of expansion are in direct contrast with the previous decline of independent brewers in the UK from the early decades of the C19th onwards and thus represent a significant phenomenon to be explored in small enterprise research. Converse to the drivers of concentration and centralisation of the last century, local market area and competition have been suggested as significant in determining entry and growth in any particular location (Cabras et al, 2011). Together with the existing literature and research on small food and drink enterprises, and the local food and drink revival (Everett and Aitchison, 2008), more generally, this confirms the rationale for considering microbreweries within their own local enterprise contexts.

In the UK the brewing industry is subject to particular laws, rules and regulations, some of which are official attempts to nurture and protect fledgling enterprises from the overwhelming market power of the beer oligopolies (Waterson, 2009). A microbrewery is defined as a small scale brewery operating under the UK Progressive Beer Duty threshold of 5,000 hectolitres annually¹. There are estimated to be over 1100 microbreweries in the UK today, with the number of businesses growing at a yearly rate of 10% between 2000 and 2013 (SIBA, 2013; CAMRA, 2013a). Such growth is found elsewhere; the US, for instance, has seen parallel expansions. There the definitional threshold is three times higher at 15,000 barrels or about 17,884 hectolitres, with 80 microbreweries or “craft breweries” operating under this

limit in the US in 1983 rising to almost 2000 by 2011, an increase of over 2,400%.

Despite these levels of growth, craft or microbrewery sales remain a niche product, with cask ales accounting for 8 per cent of all beer sales, 16 per cent of on-trade beer sales (in pubs and restaurants) and 39 per cent of ale sales (Brown, 2013). From data collated by the food & drink consultants, CGA, it has been estimated that although ‘craft ales’ accounted for only 1.9 per cent of beer sales, “with a sales growth of 79 per cent in the past year equating to 74 million pints being sold in pubs and bars across the country”, they offered a contrasting trend to falling beer sales overall (Nicholl, 2013).

The recent expansion of microbreweries is in contrast to 150 years of decline and the growth of massive oligopoly producers (see Waterson, 2009 for discussion of vertical integration, and Slade, 2009, for mergers and horizontal integration). A picture repeated across the UK, this production became concentrated in a few locations focused on large cities and the cores of conurbations. These changes meant the erosion of the local dimension of the industry with negative implications for local supply chains, employment and identity.

Alternatively, microbreweries are presented in media and popular literature as niche and enterprising, and quality and diversity are stressed rather than the low price and advertising of the large brewers (CAMRA, 2013; SIBA, 2013). According to the Slightly Foxed Brewing Company (2013), this reflects “an alternative attitude and approach to brewing flexibility, adaptability, experimentation and customer service”. Some supporting evidence is provided for this engaged promotion by Mintel (2013) also who have reported that:

Craft beers have forged associations with high quality, so much so that over a third (35%) of beer drinkers think that they are worth paying more for.

It is these unique features of the microbrewing industry that this paper seeks to explore.

The paper is structured as follows. The next section presents the theoretical underpinnings for the paper drawn from the economics and enterprise literatures which can be applied to microbrewing as a part of the small firms sector. The following section introduces the national brewing sector and the standard definitions of microbreweries. After introducing the methodology and approach, the findings of the primary research are presented and explored in the penultimate section. The paper concludes with a summary of the total study and the implications for our understanding of the microbrewing sector, particularly with regards to its potential within the context of the local enterprise economy.

Understanding industrial and market structures

Brewing can be undertaken by anyone with minimal equipment and resources. Indeed, historically beer was made at home or in the monastery. It can be considered that such autarky, producing for self, might be an important entry point for many potential microbrewers since they can start production and gain a foothold in the market by a gradual expansion from such beginnings (Poelmans and Swinnen, 2011). There is clear evidence of this pattern of development in the US (Carroll and Swaminathan, 2000). On the other hand, in light of the very high economies of scale enjoyed by the big brewery companies (Waterson, 2009; Slade, 2009), it might be expected that there would be high entry barriers and it has been suggested that a heavily monopolised market structure like brewing would indeed exclude the potential for entrepreneurial activity by small and new firms (Baumol, 1968). This argument is especially held within the US regulatory environment, where the importance of control of ‘natural monopolies’ is stressed. Specifically, Shepherd has argued that a key element of such a market is presented by the prohibitively high costs of leaving the industry, which complement the high costs of entry, so that for enterprises:

The requirement that exit from the industry be costless has been one of the more controversial aspects of contestability theory (Shepherd 1984, 572–77).

A priori, this might imply that the brewing sector, dominated by massive companies on a world scale, could not be contestable and open to new entrants (Poelmans and Swinnen, 2011). This research therefore aims to investigate whether the UK brewing industry is indeed contestable as a precursor to understanding how small and new brewers are able to compete.

Whether the microbrewers are acting in a contestable market or not, a new small enterprise in the microbrewing sector will face a market where demand is fairly price elastic and so it will be a price-taker in the market place. In this context, the artificial threshold of 5000 hectolitres imposed by the Progressive Beer Duty in the UK also adds complexity to the analysis as it suggests that decisions will have to be made as individual enterprises approach this limit. With elastic demand, these are effectively significantly higher costs which will not be passed onto the consumer and so will have to be met by the producer. To pursue entrepreneurship in this environment – to compete and grow – means meeting and overcoming these challenges.

Entrepreneurship in the small firms ownership context is most often expressed as relating to innovation and growth orientation (Karlsson *et al*, 2005). Galloway & Mochrie (2006) find a strong correlation between ambitions for growth and growth as an outcome amongst firms in peripheral markets in particular. Vaessen and Keeble (1995) and Mitchell and Clark (1999) contend that expansion to the non-local is the key to sustainable growth, and is most desirable for the economic development of peripheral areas. Given the high distribution costs in brewing and the significance of tied houses and other outlets for sales (Waterson, 2009), it is expected that there will be advantages in establishing microbreweries in smaller local markets with some inherent protection from regional and national competition. Galloway & Mochrie (2006) find there is a high rate of lifestyle-based ambition amongst business owners in, for example, rural and small town locations, but that entrepreneurship (defined as growth orientation and/or innovation) does exist within these business communities. Some of these activities are driven by a need

to stay competitive – even if lifestyle and locally focussed. For example, Rosa (2001) and Smith (2013) both identify diversification as a strategy amongst farmers for income maintenance and farm survival. Elsewhere, innovating and developing represent pursuit of competitive growth; classic entrepreneurship, as per Drucker (1986).

McKain (2003) contends that certain locations have an intrinsic value that can be marketed by local businesses, and this is especially apposite for food and drink firms, helping them to compete successfully in an increasingly crowded marketplace (Burnett and Danson, 2013). Galloway, et al. (2011) assert that this is due to the conceptual idealisation of locations. Galloway, et al. (2004) find evidence of use of this idealisation of rural areas to ‘brand’ local products and services for local and extended markets, and Danson and Burnett (2004) find this particularly in the food and drinks sectors. Capitalising on the referencing of locality and the uniqueness of places, many enterprises have established niche markets to reaffirm the value of ‘local’ as particular, physically rooted and/or culturally distinct. The adding of value often has been embraced by food enterprises, applying the local environment, natural and cultural, to define a USP (Danson and Burnett, 2004), and unique appeal to the market may apply also to microbreweries. They may use local reference points to capture first their immediate market but then also consumers beyond this home market area.

This characterisation suggests that microbreweries might comprise a competitive fringe - operating in niche markets in a highly dominated industry (MacDonald, 1986), where features of monopolistic competition dominate through product differentiation. Those aiming to break out of a restricted home market based on a lifestyle model therefore may use these images of people and place to expand demand and meet their needs for higher production. This raises issues that can be explored only through primary research in the field. To this end, the following research questions are developed:

RQ1. Has there been a sustained entry into the industry by microbreweries?

RQ2. Does this suggest that they operate in a contestable market?

RQ3. Do the new microbreweries comprise a competitive fringe in the market?

RQ4. Do microbreweries compete through non-price means, such as local identity, to differentiate their products from the rest of the marketplace?

Methodology

The research was conducted in two stages. The first stage comprised analysis of quantitative data supplied by the UK Small Independent Breweries Association (SIBA). Out of a British industry of more than 1,100 brewing companies, SIBA now represents 651 members (SIBA 2013). Of these, about two-thirds (420) are classed as “micro”, or producing up to 1,000 hectolitres per yearⁱⁱ. Their surveys (here those conducted in 2008 and 2012 are used) collected responses in 2012 from 315 breweries located nationwide, which means that approximately one out of three British microbreweries took part in the survey.

The second stage of the research comprised qualitative investigation. This was considered appropriate because it allows for microbrewers to identify their motivations and experiences in their own words, representing their reflexive viewpoints (Bryman, 1988). This kind of exploratory position allows further that issues that cannot be quantified might emerge (Cassell and Symon, 1994). While it is not possible to generalise results, Stake (1995, p.40) claims that through qualitative research we gain experiential understanding of a phenomenon. For this study, a case study methodology, as advocated by scholars such as Yin (2003), was used in an attempt to afford an understanding of the perceptions and realities for microbrewers and link these to extant knowledge about the environment in which they operate, as described in the aggregate data from Stage 1.

Fourteen microbrewers in Scotland and England were included as cases and these were selected from regional databases to offer a spread of locations, types of local market (market reach), size and age. Each owner was interviewed and, as advocated by Yin (2003), the approach was informal and semi-structured in order to elicit as much information as possible. An interview guide with several broad cues to afford focused conversation was used to allow for emergent themes and issues. For the purposes of triangulation, literature about each firm, including publicity materials, press coverage and the firm's website was examined in some detail. To elicit sensitive information and opinion, it was agreed with participants that all cases would be anonymized. All interviews were recorded and transcribed verbatim. Following Miles and Huberman (1994), analysis was conducted in the first instance by each of researchers individually, and discussion confirmed consensus.

Qualitative Sample Description

The cases are outlined in Table 1 below.

TABLE 1 ABOUT HERE

In two cases (A and E), the owners purchased the brewery from another firm and the existing equipment was used. All of the other microbreweries were started from scratch, i.e. including the installation of equipment, etc. Twelve of the microbreweries studied are micro firms (fewer than 10 employees), whereas three (E, G and H) are slightly larger. Case A mentioned the pursuit of opportunities to export, having an established regional and national customer base with a further sales channel into Europe. Case E is based in a high profile tourist area and international and national sales have been developing from this tourist market as a consequence of demand from tourists.

Cases B, D, G and N have as their established sales base, local customers, though each also regularly takes opportunities to 'guest' further afield and work collaboratively with other microbrewers for regional market reach.

The microbreweries in the current study were fairly typical of the industry as a whole, as reported earlier in terms of the means by which they got their products to market. All but one (N) supplied beer to pubs in casks. Case N produced only bottles of beer, and all but two of the remaining microbreweries supplied in bottles also. In terms of distribution, as outlined in Table 1 above, all firms supplied locally, several had established national sales channels, and a few are developing international markets. The means by which the microbrewers distributed their beers varied somewhat depending on location in the UK and other individual nuances, such as urban or rural location or specific associations. Some consistency was observable, particularly amongst the distribution of cask ale though. Local distribution tends to be done by the microbrewery itself (though it is interesting to note that where urban brewers cited distances such as ‘within a 45 minute drive’ or ‘within an hour’s drive’, rural brewers suggested much larger areas, such as ‘within a three hour radius’ as noted by Colin). Sales beyond this tended to be outsourced to wholesalers or distributors, as per cases A, B, C, H, I, J and M (representing all regions), while Case F distributes beyond the local via another microbrewery. Three cases (B, E and G – in regions 2, 3 and 4) distribute only locally, and in each of these cases, this local focus was deliberate (though E seeks to export in due course). The explanation for this was consistent amongst the three: retaining the beer as a premium niche product within the local area was a strategic decision. Whether local, national or even presumably, international, the means by which cask beer reached pubs is the same, and it is a difficult and time consuming process.

Other means by which microbreweries strive to maintain sales is by having exclusive deals with pubs, most often locally. The owners of microbreweries B, G and H (in regions 2 and 3) own a pub or several pubs and sell their beer in these outlets. Similarly, microbreweries E, F and L (in regions 1 and 4) have access to pubs either on site or very near the site of the microbrewery. While permanent pumps are rare – that would be contrary to the spirit of diversity, variety and novelty required of the market for real ales – distribution of one or other of the microbrewery’s beers is guaranteed, and this provides a valuable

consistency in terms of income. Eight of the microbreweries do not have this protected sales stream, however, and therefore they are even more reliant on efficient management of sales.

Findings

The findings from the primary fieldwork are presented sequentially in three sub-sections according to the respective research questions; research questions 2 and 3 are considered together as they both refer to the industrial structure of the sector.

New entry into the brewing sector

To determine whether new breweries have been entering the industry in recent times, RQ 1 asked if there has been sustained entry into the industry by microbreweries. About two-thirds of the microbreweries included in the Stage 1 surveys reported an annual turnover up to half a million pounds in 2012, with the majority of them indicating less than £100,000 (n=152). A large number of young microbreweries (ten years of activity or less) fall into this category. Conversely, 22 microbreweries reported more than a million pounds in revenues, with thirteen indicating an annual turnover higher than five million. These breweries tend to be older, perhaps indicating a significant growth in sales for those businesses with more experience within the market. The majority of companies surveyed are microbusinesses employing up to 10 employees, across both full-time and part-time. Among the oldest breweries, only four employ fewer than ten employees. On the other hand, seven companies employ more than 50 employees.

With regard to the quantity of beer produced, the average volume by the breweries surveyed was about 3,600hl in 2008. In 2012, the average was 4,290hl with an increase of 19% compared with four years before. However, the span of production among them varied considerably, from smallest breweries (production wise) generating just below 20hl to a brewery producing more than 100,000hl. These figures may explain a wide level of diversification within the sector, with a large group of small microbreweries

serving a specific target of customers and markets mainly based at sub regional and regional level, and a restricted group of microbreweries which have expanded business beyond regional markets. From this analysis, it seems that both ends of the small brewery spectrum comprise a significantly large number of relatively young businesses. This finding corroborates evidence provided by other sources (CAMRA 2010 and 2013a, BBPA 2010, SIBA 2011) implying an impressive growth of the British microbrewery sector in the past ten years.

Industrial structure and competition

In traditional studies of sectors and markets, the structure-conduct-performance model is often applied. Here, RQ2 sought to confirm if microbreweries operate in a contestable market. Complementing this, RQ3 explored whether the new microbreweries comprise a competitive fringe on the periphery of the sector.

The spectacular growth in the last few decades suggests some of the characteristics proposed by Baumol (1982): there are no entry or exit barriers, no sunk costs, and new entrants have access to the same level of technology as established firms. However, microbreweries do not have the very high economies of scale and scope of the big companies; as SIBA report (2013, p15):

The smallest brewers are more labour intensive and create more jobs per hectolitre of production:

** average 300hl for each employee in breweries under 1,000hl per annum*

** 500hl per job at 1,000-5,000hl pa*

** 800hl per job at 5,000-30,000hl pa*

** industry-wide figures produced by the BBPA indicate an average of one employee per 3,000hl of beer*

Although used to promote the role of microbreweries in generating employment and economic activity locally, these figures reveal strong falls in average costs as production increases and so disadvantages in small and batch production. This confirms the need for microbrewers to compete on quality, diversity, etc. in a difficult market environment. This is consistent with the evidence from the USA that the market there is also indeed ‘contestable’ (Carroll and Swaminathan, 2000; Baumol, 1982) with elements of a competitive fringe.

The case study data supports this further. First, respondents agreed price was not competitive compared with large breweries, as Frank and Oliver articulate:

We try to get a premium for our beer... we don't sell our beer cheaply to anyone

(Case E)

We don't want them to be cheap... The branding is luxury artisan beers (Case N).

Further, each of the cases promoted uniqueness in their outputs and so contributed to diversity in the industry. Indeed, this was cited as necessary part of the industry as Iain notes:

We rely on the other breweries to help us to provide variety for the customers... So

we absolutely need them to be there (Case H).

Following on from this, collaboration, as opposed to competition, emerged as a key feature of the new microbrewing sector. Mention was made in terms of variety as noted, and collective efforts in terms of purchasing both of supplies and equipment was mentioned by some also. Several respondents described a system of ‘swapping’ to encourage both local sales and those further afield. David explains:

We swap casks with other breweries and it makes our associated pubs aware of

their selections, and the same happen with our beers [in the other brewery's

location].... We do swaps of our ales with breweries located nationwide (Case D).

The niche characteristics along with the reported collaboration within the sector suggests strongly a ‘contestable’ market featuring ease of entry and exit, low sunk costs and accessible technology.

Product differentiation in the marketplace

RQ 4. Do microbreweries compete through non-price means, such as local identity, to differentiate their products from the rest of the marketplace?

Confirming interview findings that microbrewers are price-takers in the market, the SIBA data in Figure 1 shows that they cannot expect to receive a higher average price from intermediaries who buy their ales. This is despite the consumers’ view that real and cask ales are considered a premium product: Brown (2013, p39) reports that “45% are prepared to pay more for it than other beers. On average, 33p per pint more”. So microbrewers face higher average and marginal costs than larger brewers, but are producing in a market which is clearly subject to segmentation and so the potential for profit enhancement (Brown, 2013). In this environment, where there are at least 3,200 real ale brands always available, up to 5,000 seasonal beers brewed each year in addition plus an estimated 2,300 bottled beers (SIBA, 2013, p10; whilst CAMRA lists 4500 beers, 2013), differentiation of product is critical.

FIGURE 1 ABOUT HERE.

In contrast with the long-term progressive concentration and centralisation of the industry explored above, there is evidence that there may be different drivers and branding opportunities in cities and metropolitan areas from newer locations and markets, with rural microbreweries having performed slightly better than breweries located in urban areas in recent years (e.g., Cabras et al., 2011).

In the case study data, the characteristic of brewing as an artisan or creative activity was notable and defining. As John, for example, notes:

We don't do boring straight down the line beers. I mean all the beers we do are fairly specialized, the stouts we do, the pales we do, all have a little something about them (Case I).

The industry varies from many other sectors in that there is mutual dependency on a variety of providers, from operations and distribution to the exchange of ideas. As noted already, collaboration extends beyond the local. The whole point of the product is not to have the 'best' thereby beating the competition, but instead to have a high level of diversity of flavoursome beers. Mark exemplified this approach with his claim that there is an artistry required of a good brewer:

The market is changing from bland, mass-produced rubbish to more flavourful, more artisan products... The kind of localism sort of deal, where people want to have local sort of products, and they want traceability and stuff like that, that's where it comes from. ... And it's being done by people who actually care about the product, rather than would just like to make a lot of money at it. ...People are starting to care, and are more aware of "I don't have to drink this fizzy random crap. That's actually tasty and I can drink that instead", that's the way the market is moving. It's kind of like wine and good coffee, things like that. (Case L).

These sentiments are expressed to greater or lesser degrees by all the participants, and in particular, like Mark, several identify that interest in the market for flavoursome, hand-made beer is connected to a greater shift in the market in the UK to food and drink quality, variety and provenance.

This points to some development of the market. The interviewees noted that the more beers there are, the greater the market they create as people try different things (cf. Brown, 2013; CAMRA, 2013b). Additionally, as noted, there is some perception amongst microbrewers that consumers are interested in food and drink variety and quality to a far greater extent today than they were in the past. There was

plenty of evidence that local provenance and direct association with the local area was highly relevant to that. Colin and Andrew elaborate:

Our whole story is very firmly built on provenance. ...We use our own water, our own barley, our own yeast, and the only thing we can't do is the hops because they don't grow very well here. ...Wherever possible, we try to square the circle, and make sure all the ingredients in the brewing come from here. ...[Customers] are more interested in supply chains and more interested in regional variations. If they go on holiday to a different part of the country, they want to drink the local beer... (Case C).

Any small town you go to, they've got a local brewery. So anywhere you go you can taste their local produce. Now if you are in that area you can try their local beer. (Case A).

Participants in this study also mentioned that they perceived some changes to the demographic of the market of real ale drinkers. In particular, there was some evidence of a move away from real ales market being exclusively male and older to a younger demographic, including women:

We did a beer festival last week ... and you know, there was really all ages from early twenties right up to sixties plus, and it wasn't all just males. I mean there was quite a lot of females there interested in trying different ales as well. If that's anything to go by there seems to be an interest from basically all, both sexes and all ages (Case A).

Again this is consistent with the reports from the trade (SIBA, 2013; Brown, 2013 and gives weight to Neil's assertion that "*these are clearly exciting times for craft brewing in the UK*".

Analysis

Although most microbreweries remain very small businesses, employing fewer than 5 workers including the owners, the development and growth of microbreweries represents a significant opportunity for employment in local economic areas and may stimulate local economies with positive effects on local supply chains (CAMRA, 2013; Maye, 2012).

As a result of the market demand for diversity, and the relative ease of entry as a commercial microbrewery, our sample includes microbreweries that have been or are currently transitions from hobby to firm. However, these low barriers to entry may spell problems for the sector and it seems that the microbrewers interviewed in the study are less optimistic about the commercial future of the industry as a whole. The defining characteristics of a contestable market described earlier, in effect, suggest that the microbrewing industry is in danger of becoming a victim of its own success. Most respondents were concerned by this threat. Indeed, several explain that they struggle with the competitiveness and stress of this system. Several, including H and I, explicitly mention that they require more robust management of sales. Indeed, the larger, older microbreweries in the study tend to have dedicated staff for this critical business function. Colin of Case C claims that this may well become one of the issues that divide those who will survive in the industry, as it becomes increasingly crowded, from those who will not.

Despite these concerns, the sample reported on opportunities that appear to be emerging, including market expansion and the reaction of the microbrewing sector to the possibilities of reaching new markets. Despite a difficult trading environment, and despite concerns about saturation as the industry becomes increasingly populated with suppliers, every one of the microbreweries included in the current study was experiencing growth. The study includes a wide range of microbreweries, from the well established and entrepreneurial, to the very young firm born of a newly commercialised hobby. Finding growth amongst each of these very different players suggests a sectoral robustness.

In terms of RQ4 on competing on non-price features, diversity and quality appear the main drivers for microbreweries. A virtuous circle of market appreciation and increasing experimentation resulting in greater quality and diversity, in turn potentially attracting further market, is suggested. Despite the reservations of microbrewers in terms of saturation in the industry, the overall sense of the sector's state of health is very positive. From a business perspective, it is sensible to be cautious and indeed, that seems to inspire pursuit of efficient business operations amongst the various microbreweries studied. In an industry characterised by creative and often hobby-based activity, that caution is likely to be a valuable business asset. Overall though, results from the study suggest that there is scope for optimism in the sector, but that for individual firms, survival and prosperity will depend most highly on the quality of the product they make for consumption and the efficiency with which they get it to market. As several participants note, microbrewing is not an easy industry to be in, and margins can be tight. Changes to duty and taxes can have an enormous impact on the profitability of microbreweries, and policy-makers might be mindful of that. The evidence presented in this paper suggests a potentially promising future for the industry, with plenty of scope for innovation, increasing market, increasing market share and contribution to 'brand UK'.

Conclusions

The initial findings are that this is a significant and growing sector (RQ1) with parallels with the wider local food and drink revival (Everett and Aitchison, 2008; Danson and Burnett, 2004). However, microbrewing continues to be under-researched. The sector raises interesting economic and enterprise and entrepreneurship behavioural and motivational questions, partly driven by the business environment in which the microbreweries operate: at the competitive fringe (RQ3) of a contestable (RQ2) but dominated market where decisions on future developments have to be made at the key threshold of 50hls. In light of "small breweries' tax relief in 2002, which cut duty by 50 per cent for companies

producing under 500,000 litres of beer a year” (Scotland on Sunday, 2013), and with the big brewers aggressively pursuing the craft ale market, there is some suggestion that a period of mergers and acquisitions can be expected.

The findings in this study can be summarised as:

1. While there are particular challenges to starting a microbrewery, barriers to entry are lower than for many other sectors (RQ2). Different strategies are adopted to address challenges, including direct sales, incorporated shops and pubs as outlets, use of casks etc.
2. There is considerable evidence of entrepreneurship in the sample microbreweries in terms of growth, innovation and creativity (RQ3), although all emphasised the importance of lifestyle and work-life balance as well.
3. As the literature on food and drink companies stresses the advantages of cultural and natural heritage and local identity for USPs, so did the microbreweries studied here (RQ4). Correspondingly, for all, having access to local supplies appeared to be important in the establishment and initial growth phases.

The current study is limited in that it looked only at the microbrewing industry in the UK. Studies in other countries may find different, nation-specific results in terms of economic contribution and sector development. As such, studies elsewhere in the world would be interesting in terms of comparing the impact of this sector of the consumer market. Additionally, the interview elements of the current study refer to 14 case studies. As with all qualitative explorations, the hope is that the richness of data mitigates against replicability. We consider we achieved a depth of understanding of the experiences of the UK microbrewers, but further research with other microbrewery owners would be revealing in terms of their entrepreneurial orientations and motivations.

Looking to the future, indications are apparent that perhaps the sector is reaching a point where

significant developments might be expected. Although any industry undergoing rapid growth and development might anticipate similar drivers and tensions, it was reported that a period of consolidation could be underway in the coming years. Mergers between microbreweries are expected as are takeovers and absorptions by the larger brewery companies as they seek to gain an immediate presence in the real ale market. Forward linkages and other diversification strategies would be expected to continue as ambitious and rent-seeking enterprises explore other potential ways to realise further profits, while others are content to satisfy more modest, lifestyle objectives. All these real and potential developments would be expected to impact differentially across the economic landscape and have particular implications for small breweries especially. This suggests that this research agenda will continue to be of importance in the future.

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Figure 1: Price per firkin (£) vs Annual turnover

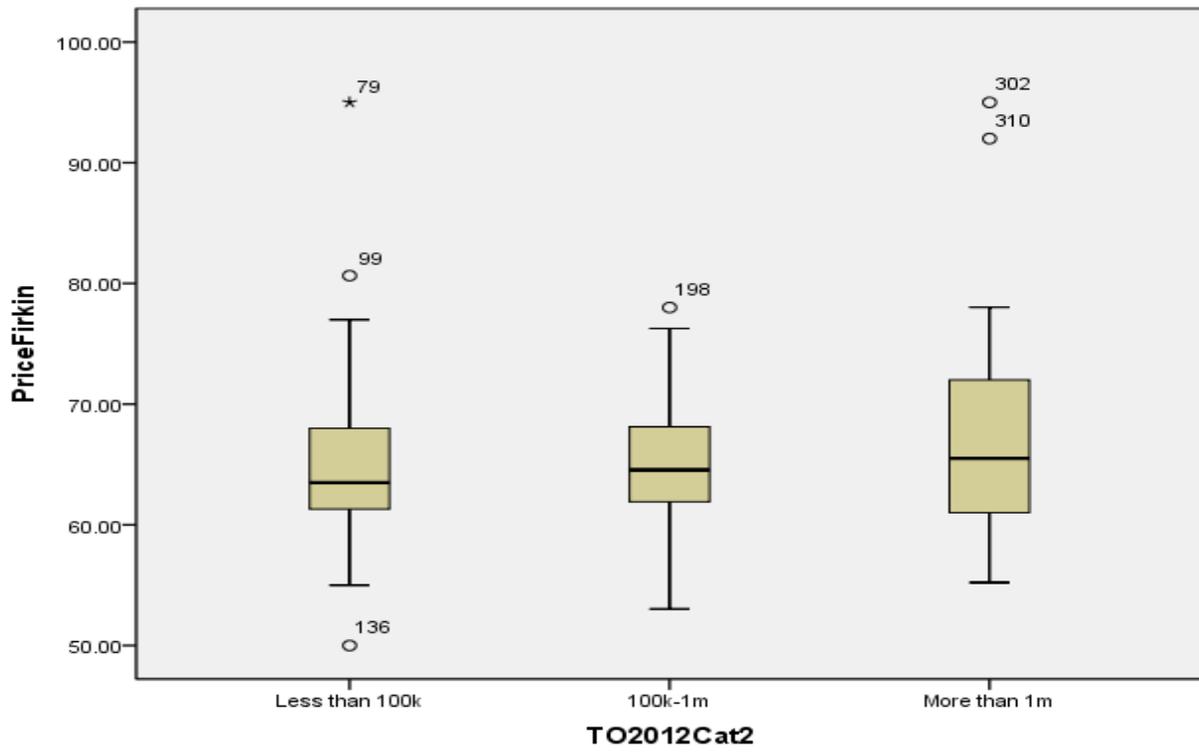


Table 1: The Sample of Rural Microbreweries

	UK Region^t	Micro- brewer y	Interviewee *	Age of Microbrewery	Number Employee d	Established Market Reach**
1	1	A	Andrew	8	6	National
2	2	B	Brian	11	2.5	Local
3	1	C	Colin	2.5	6	National
4	2	D	David	2	2	Local
5	4	E	Frank	13	18	Local
6	1	F	Graham	1	1	National
7	3	G	Hugh	18	14	Local
8	3	H	Iain	23	14	National
9	2	I	John	7	3	National
10	2	J	Ken	2	1.5	National
11	2	K	Lawrence	3	5	National
12	1	L	Mark	1	4	National
13	4	M	Neil	2	1	National
14	3	N	Oliver	0.5	0	Local

* Names have been changed for the purposes of anonymity

** Local is defined as within a fifty-mile radius.

^t1 = Discrete region in the UK; 2 = Discrete region in the UK; 3 = Large UK city; 4 = Discrete region in the UK.

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- ⁱ Breweries are often described by their production capacity, mostly ranging from 2 to 20 bbls (a brewer's barrel = bbl = 36 imperial gallons).
- ⁱⁱ NB: in this statistical analysis, the definition of microbrewery is one-fifth of the legal definition of 5000 hectolitres referred to earlier.