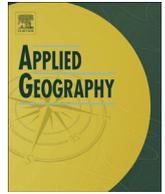


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## Applied Geography

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## Branding spaces: Place, region, sustainability and the American craft beer industry

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## ABSTRACT

The craft beer industry is of increased interest to academics and geographers are beginning to not only chart a “geography of beer”; but also the local economic development implications of the industry. Indeed, we posit that the growth of the craft beer industry resides at the nexus between nature, place, and identity—or what we consider an applied geography of growth that is necessarily informed by sustainability and the closely allied geographic concepts of human–environment interactions and place. Further, we examine the branding of nature and place as co-determined spatial mechanisms for market differentiation and economic growth including neo-localism. Specifically, we examine real world examples of authentic branding initiatives that extend from dynamic place-based human–environment interactions that promote the overall sustainability of communities and the craft beer industry. In doing so, we propose an economic development framework based in an applied geography organized around the concepts of place, region, and sustainability. The framework can be used in a variety of economic development contexts and across multiple industries.

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Applied geography can be conceptualized as the deployment of geographic concepts or spatial themes to address real world problems. In this paper, we explore the example of market differentiation in the rapidly growing craft beer industry insofar as geography (or spatial concepts) has been coopted to create or produce authentic brand identities. Specifically, we assert that spatial constructs are used to validate brands and position products within a highly competitive market. More importantly though, the paper will examine how “spatial-branding” and a sophisticated accounting of situational geographies can be leveraged to promote firm-level and community-based economic development. In doing so, the paper will present three examples from the craft beer industry and demonstrate the conceptual and practical linkages that exist between well-established geographic frameworks, brands, and observed consumer behavior.<sup>2</sup> Our paper focuses on the

American craft beer industry. While craft beer is becoming increasingly popular in many countries data indicate that the United States leads the way in the growth of this segment of the beer industry. Even using the more restrictive European definition of a microbrewery (a brewery producing no more than 1000 hL of beer per year) the United States had 2399 such establishments in 2015 (Brewers Association, 2016a). This is considerably more than the leading European country, the United Kingdom, which had 1404 microbreweries in 2014 (Brewers of Europe, 2015). Furthermore, American craft beer is becoming increasingly popular in Europe where consumers appear to be excited by the innovative beers that U.S. brewers are producing (Margolis, 2012). For example, American craft beer exports to the United Kingdom doubled between 2011 and 2015 (Chaudhuri, 2016).

### 1. Craft beer and economic development: expansion, creativity, and branding

Since the mid-1980s the number of craft breweries in the United States has increased dramatically. From 37 in 1985 the number stood at 4225 in 2015 (Fig. 1). There are now more breweries in the United States than at any time in the county's history. The previous

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<sup>1</sup> The order of the authors, which is alphabetical, should not imply relative contribution as the effort has been collaborative, shared, and balanced.

<sup>2</sup> Based on sales data, we contend that it's the brand (and branding) that is driving the decisions of craft beer drinkers.

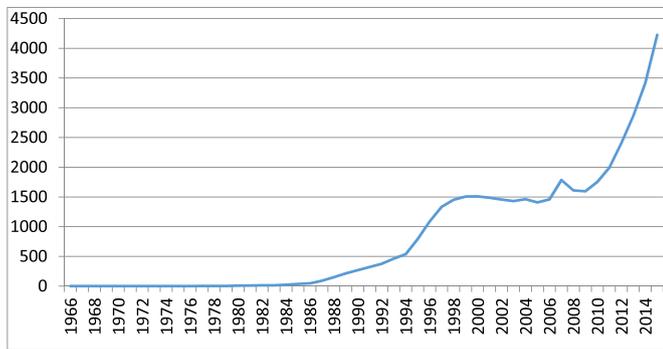


Fig. 1. Craft breweries in the United States, 1966–2015. Source: Brewers Association.

high watermark was in 1873 when there were 4131 breweries operating (Brewers Association, 2015). The growth has been particularly rapid in recent years, with a net gain of 2471 craft breweries since 2010. Craft breweries are attaining a growing share of the American beer market (Brewers Association, 2016b). In 2015 craft beer accounted for 12.2% of beer sales by volume and 21% by sales.<sup>3</sup> This impressive growth is occurring at a time when Americans are drinking less beer (NACS, 2014).<sup>4</sup> Furthermore there are no indications that this growth is going to cease in the near future. In recent years, at any given point in time, there have been somewhere in the neighborhood of 1500 breweries in the planning stages (Watson, 2015). At least one prominent industry insider believes that both the number and market share of craft breweries will double (CBS News, 2016).

The growth in craft breweries has emerged as a localized response to the stale brands and tastes of macro-brewers such as Anheuser-Busch and MillerCoors who specialize in the standard American-style of the pale lager (Tremblay & Tremblay, 2011). Concomitantly, the nascent sector also benefited from the experimentation, innovation, and creativity of the homebrew movement that exploded following the Carter administration's legalization of the hobby in 1978. This was followed, on a state by state basis, by the legalization of brewpubs (Elzinga, Horton, & Tremblay, 2015; Fallows, 2010). By 1990, hobbyists turned entrepreneurs were driving an industry where the total number of firms had more than doubled in a single decade—and the scale and scope of craft beer had transformed the monochromatic landscape of U.S. beer from a marketing-based framework reliant on slogans such as “Tastes Great Less Filling” (Siegel, 2013) that sought to differentiate ubiquitous pale lagers to a world defined by more diverse local and regional product lines which now included ales, stouts, sours, IPAs, and bitters.<sup>5</sup> Additionally, the scale of production is much smaller and the language of “micro-breweries” and “brew pubs” has become familiar to consumers around the nation. Today, the industry has matured and the term “craft brewery” has emerged as a short hand for smaller and independent firms that deploy traditional production processes (as opposed to the industrial practices of macros); emphasize quality, flavor, and diversity; and produce limited quantities (Gomez-Corona, Escalona-Buendía, García, Chollet, & Valentin, 2016; Hieronymous, 2015).

Much of the growing demand for craft beer is driven by the

<sup>3</sup> The sales share is higher than volume share because craft beer commands a higher price point than macro-beer.

<sup>4</sup> Beer's share of U.S. alcohol sales declined from 56.0% in 1999 to 47.8% in 2014, while one survey showed that per capita consumption of beer in 2012 was down by 20% when compared to 1992 (Bailey, 2015).

<sup>5</sup> The Brewers Association recognizes over 140 distinct styles of beer most of which are currently being brewed by American craft brewers.

millennial cohort (Fromm, 2014; Granese, 2012). Millennials have been described as “confident, self-expressive, liberal, upbeat and open to change” (Pew Research Center, 2010, 1). They account for approximately 75 million Americans which makes them the largest cohort in American history (Fry, 2016). Accounting for over a trillion dollars in consumer spending millennials prefer to purchase products and services from companies that support solutions to specific social issues while being of the opinion that there it too much power and influence vested in the hands of a few large companies (Carter, 2016). Small-scale and independently-owned craft breweries, with their demonstrated commitment to social causes and environmental sustainability, appear to resonate with millennials (Sprengeler, 2016; McWilliams, 2014). Furthermore millennials are willing to pay more for products embedded with social responsibility; this includes craft beer that retails at a significantly higher price point than traditional mass-produced beer (Rayapura, 2014). As consumers millennials are attracted to products that reflect their values, lifestyle, and personality. They tend to be adventurous consumers that appreciate diversity authenticity, creativity, and individualism. In choosing which products to purchase millennials are more influenced by the recommendations of friends (or online reviews) than they are by traditional advertising methods. This is consistent with research that has suggested that the decision to consume a particular beer is influenced by peers (McCluskey & Shrey, 2011). Engaging with products and brands digitally is also important to them (Barton, Koslow, & Beauchamp, 2014). These values and preferences are clearly present in millennial craft beer drinkers. A survey of millennial craft beer drinkers showed that 94% of them had tried a new beer within the last month, 70% followed their favorite craft beer brands on social media, and they were five times more likely to be influenced by word-of-mouth than traditional advertising (Granese, 2012).

In light of the industry's rapid growth and emphasis on smaller scale production and distribution, craft beer is inherently “more local” and “less global” than the macro-brewers, like ABInBev and SABMiller that now control literally dozens of brands across the globe (Chew, 2016). In many respects, craft brewers embody values, such as creativity, tradition, and locale that serve to create niche, often community-based, markets. These values also combine in various ways to lead consumers, especially millennial consumers, to conclude the brewer is “authentic.” As will be seen below, authenticity is important in this analysis. Additionally, craft beer and breweries have increasingly become markers for urban renewal and neighborhood revitalization—and stand in as a sort of short hand for a city's competitive “place-brand” (Weilar, 2000); so much so that local governments are crafting intentional growth initiatives to enhance the craft beer industries in their cities (see City of Louisville, 2014). It has also been argued that the relative maturity of local craft brew industries serve as a proxy for a community's economic sophistication (Fallows, 2016). For these reasons, the overall sustainability of the craft beer industry and the degree to which the craft beer industry thrives and grows is of keen interest to policymakers, economic development practitioners, and academics alike. Consequently, the purpose of this paper is to understand how spatial or geographic concepts shape, inform, and enhance firm competitiveness, derived brands, and associated regional economies. In doing so, the paper is an example of a broader applied geography that leverages the discipline's foundational concepts to inform observed realities on the ground.

## 2. Authenticity: an applied geography of branding

One theme that dominates the craft beer industry, based on blog posts and even a cursory survey of craft beer shelves in your local

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