Behavioral Analysis of a Competitive Market:

The Craft Beer Industry

The Purple Squad

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EXECUTIVE SUMMARY

The paper will examine the craft beer industry in general and the factors contributing to the industry's overall success and growth. The target demographic for each of the top four craft beer brands will be examined, as well as each brand's pricing, distribution, promotion and branding strategies. The effectiveness of these strategies on shaping consumers' perceptions and attitudes will be analyzed and compared. Each brand within the craft beer market has a unique brand identity and target market. The overall appeal of craft beer compared to mainstream beer will be discussed, as well as how each craft beer brand finds its own niche. The craft beer market in general places an emphasis on the locality, and individuality of the products it offers. As craft beer companies continue to gain popularity, a common challenge facing the brands has been how to maintain the feel of a "small" brand even as a company continues to expand.

The paper uses both primary and secondary research to analyze the craft beer industry. For the purposes of this paper, primary information concerning consumer preferences was found via an online survey.

Graphic taken from draftmag website

INTRODUCTION

This report will be a behavioral analysis of the craft beer industry. The craft beer industry is a subsection of the alcohol industry. The alcohol industry brings in a revenue of approximately $211.6 billion. This industry is broken up into three large categories: malts (beer),wine, and distilled spirits (Park Street, 2015). The malts (beer) category makes up approximately 49% of all alcohol sales in the United States per year and craft beer falls within this category (Park Street, 2015). A craft brewery can be defined as, "A brewery that has annual production of less than six million barrels and has fewer than 25.0% of its ownership in the hands of a non-craft brewer. It typically targets local and regional markets" (Petrillo, 2016). As of 2015, in the United States, there were more than 4,296 breweries and that number continually increased since then (Brewer's Association, 2017). Of these breweries, 4,225 of them were craft breweries. With there being an increasingly large number of craft breweries they currently make up approximately 12% of the market share of the overall beer industry (Brewer's Association, 2017).

Graphic taken from the Park Street website

Within craft breweries there are four different subsections. The first of these are microbreweries. Microbreweries brew less than 15,000 barrels of beer annually and have 75% or more of its beer sold off site. Microbreweries sell beer in one or more of the following ways: brewer to wholesaler to consumer, brewer (acting as a wholesaler) to consumer, and/or directly to consumer (Brewer's Association, 2016). The second category of craft breweries are brew pubs. These are defined as selling 25% or more of its beer off site. These types of breweries often sell beer "to-go" for consumers, but this practice is illegal in some locations. The third category of craft beer are contract brewing companies. These are businesses that hire other breweries to produce its beer. These companies generally handle all business aspects of beer other than the actual beer production. The final category of craft beer are regional breweries. These breweries produce between 15,000-6,000,000 barrels of beer per year and the majority of the beer produced are considered "innovative" or "traditional" beers. This behavioral analysis will discuss the craft brew industry as a whole, including all four subsections (Brewer's Association, 2016).

U.S. Brewery Count

	2012	2013	2014	2015	'14 to '15 % Change
CRAFT	2,401	2,863	3,676	4,225	+ 14.9
Regional Craft Breweries	97	119	135	178	+ 31.9
Microbreweries	1,149	1,464	2,041	2,397	+ 17.4
Brewpubs	1,155	1,280	1,500	1,650	+ 10.0
LARGE NON-CRAFT	23	23	26	30	
OTHER NON-CRAFT	32	31	20	14	
Total U.S. Breweries	**2,456**	**2,917**	**3,722**	**4,269**	**+ 14.7**

Graphic taken from Brewer's Association Website

ABOUT THE CRAFT BEER INDUSTRY

IMPORTANT CHARACTERISTICS

The three most important characteristics in the craft beer industry in regards to purchase decisions are quality, taste, and awards/recommendations. These characteristics were deemed most important through the findings of the online survey conducted.[1]

QUALITY

The quality of craft beer is arguably the most important characteristic of the brew; it is easy to understand why no one would want to drink a stale tasting beer. Quality is also a major point of differentiation for brands; brewers communicate the use of organic and high

[1] The primary research done for this project was a survey administered via Qualtrics. It was distributed via Social Media to the Facebook friends of the authors of this report. Due to this the survey may not be wholly representative of the entire population.

quality products with the message to drink better beer- not more beer (Carpenter et al, 2017).

TASTE

A passionate craft brewery may experiment between sweetness and bitterness in brewing a signature beer. Hops are a basic ingredient in brewing derived from the hop plant flower (Christensen, 2009). Hops have an essential oil that is responsible for the bitterness in beer that helps counter the sweetness of malt (Christensen, 2009). Malt cereal grains provide sugars by fermenting malted barley (Palmer, 2015). The sugar extracted from the malt is boiled with hops and fermented with yeast to make beer (Palmer, 2015). To adjust the flavor, brewers can use different types of hops, insertion and broil time (Christensen, 2009). The beer process is fundamentally what craft breweries specialize in. It is also what drives craft brews success against mainstream commercialized brews.

The variety in the beer market is immensely vast: there are two main kinds of beer (lagers and ales) and thousands of subcategories involving different methods of brewing and fermentation. Brewers will often differentiate their products by creating unique flavor notes or creating hybrid styles. As shown below in the beer flavor wheel, there are nearly infinite flavor notes and tastes of beer.

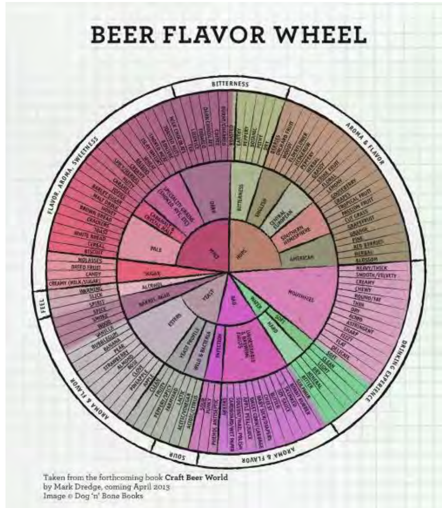


Image from Daily Infographic, Beer Edition

Brewers carefully measure taste in batches of beer to ensure that the beer is quality controlled and each batch is consistent. Brewers measure consistency using scales such as international bitterness units (IBUs), wort gravity (degrees Plato), and color (standard reference method) (Miller, 2014). The smell and taste of the beer is almost inexplicably important because it is heavily affected by our memories and expectations, making it very subjective. Zach Miller comments on this important aspect and how it is subconsciously impacted by our previous experiences. “For example, when we perceive pine and citrus in an IPA, it may be because we unconsciously associate those aromas with memories we have of pine trees and citrus fruits. Similarly, if you ever went to summer camp as a kid and have fond memories of campfires, it may make you more partial to the smoky familiarity of Rauchbiers” (Miller, 2014).

AWARDS/ RECOMMENDATIONS

Just as wine connoisseurs are influenced by a 100-point rating of the wine, most craft beer lovers are likely to note which brewer and beers win awards. In an industry where consumers may experience ‘analysis paralysis’ by the number of choices, these awards offer yet another point of differentiation for the brand and may influence the consumer’s decision. Choosing a beer requires relatively low involvement because it is a fairly cheap product, therefore most consumers engage in fast decision making when making a choice. Consumers may heavily rely on heuristics, choosing a brand solely because it is in their evoked set or consideration set of alternatives.

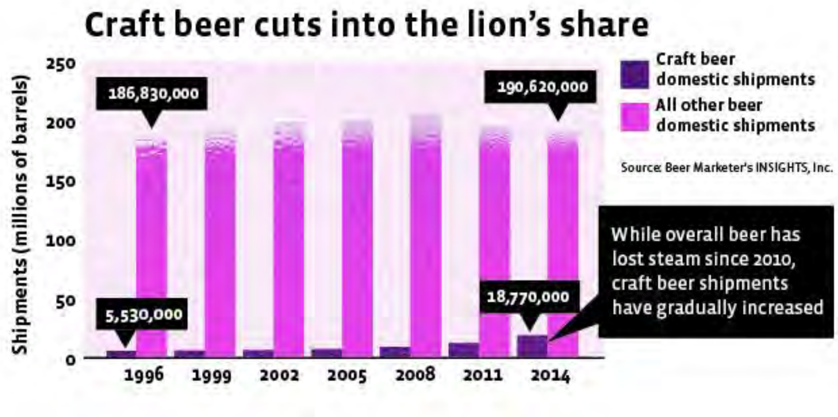
NUMBER OF FIRMS/BRANDS COMPETING AND PRODUCT VARIATIONS

According to the Brewers Association, in 2015 there were approximately 4,225 craft breweries in the United States. There are over 75 different types of craft beer (Brewer’s Association, 2017). The different types are differentiated by flavor, alcohol content, hops content, malt content, and more factors. The graphic below shows some of the different types of beer and where they fall under the different categories of craft beer.

Graphic taken from Chief Beer Guy, WordPress

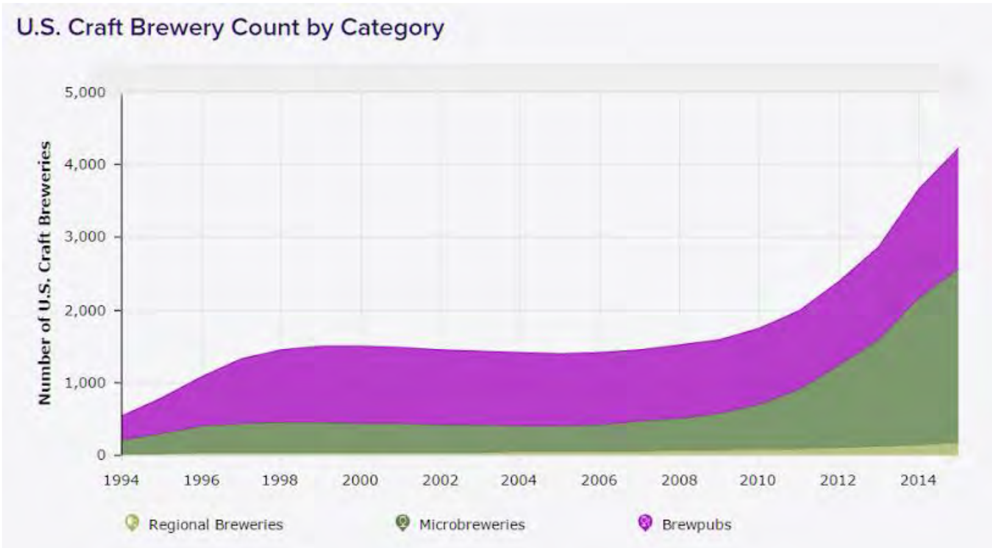
MARKET SIZE

As of 2015, craft beer makes up roughly 12% of the U.S beer market. Over the past decade, the market size of craft beer has been steadily growing. As seen below, although beer shipments have decreased since 2010, craft beer shipments continue to increase (Shilton, 2016).



Graphic taken from Brewer's Association Website

The craft beer market can be divided into three major categories: Regional Breweries, Microbreweries, and Brewpubs. The number of regional breweries, microbreweries, and brewpubs remained somewhat stagnant until 2008 when the craft beer industry began to gain momentum. Since then, the number of microbreweries and brewpubs has increased exponentially while not many new regional breweries have opened (Brewer's Association, 2014).



Graphic taken from Brewer's Association Website

GROWTH TRENDS

Over the past several years, the craft beer industry has been growing at an exponential rate. Craft beer sales grew by a colossal 22% in 2013, 16% in 2014, and still continued to increase at a rate of 13% in 2015 (Filloon, 2016). At the end of 2015, there were 4,225 craft breweries operating in the United States.

The boom in this industry can be allocated to several different factors. First, consumers likely prefer the "local feeling" of purchasing beer from nearby breweries rather than purchasing beer from industry giants such as Budweiser and Heineken. Regional breweries accounted for 77.8% of the craft beer industry's production volume in 2015 (Swartz, 2016). Another factor that may explain the development of the craft beer industry is the amount of variation in craft beers; consumers are willing to stray from the preferred brand and branch out. Over the past decade the number of beer SKUs multiplied, further demonstrating just how many unique type of beer exists in the market ("Industry Fast Facts", 2017).

NBWA Distributor Packaging SKU Counts

Year	Number of SKUs
1996	190
2003	200
2007	262
2009	470
2011	536
2013	657
2015	981

Image taken from the NBWA website

Studies show that out of consumers who purchased at least one beer a week, 22% bought more than 10 brands of ale (Swartz, 2016). According to Swartz, of craft beer drinkers in general, “33% more are willing to experiment across brands than those who prefer non-craft beer” (Swartz, 2016). When retailers were asked what alcoholic beverage category needs more shelf space, the top answer was craft beer (Swartz, 2016).

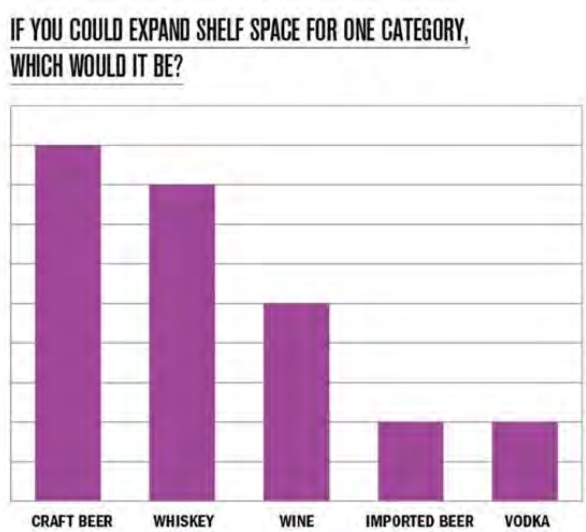


Image taken from the Beverage Dynamics website

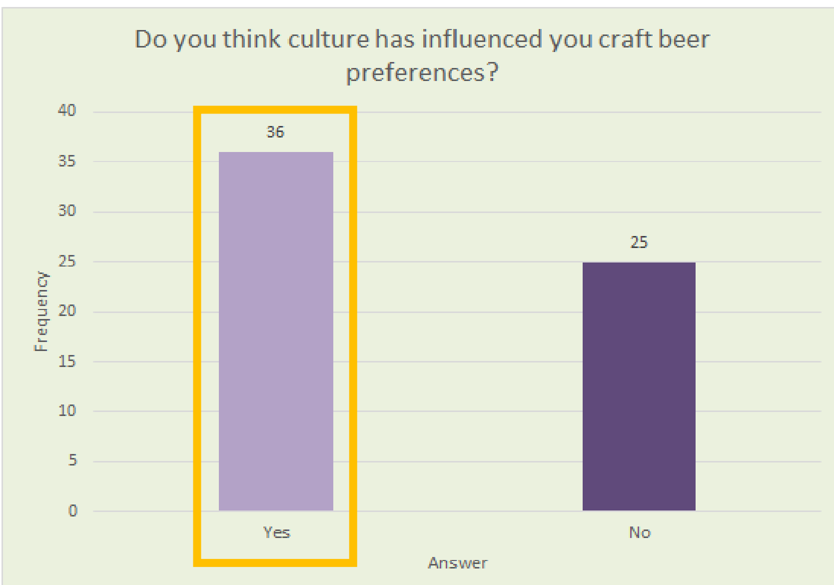
After years of continuous growth in the craft beer market, it is expected that growth will gradually decrease slightly over the next few years. Swartz reports that the industry is estimated to grow 13.8% in 2017, 14% in 2018, 13% in 2019, and 12.7% in 2020 (Swartz, 2016). Double-digit growth is still a significant amount, however, it is not likely the industry will increase at rates seen in years such as 2013 and 2014. Bart Watson, chief economist of the Brewers Association noted that although markets are not at saturation quite yet, the craft brewing industry is entering a period of maturation. “As craft’s base gets larger, as with any industry, it becomes more difficult for it to grow at the same percentage rate. Yet there is still tremendous dynamism reflected in 8% growth for craft. Production growth of small and independent craft brewers continues to be one of the main bright spots for domestic beer in the U.S. Even in a more competitive market, for the vast majority of small and independent brewers, opportunities still exist” (Brewer’s Association, 2016). In 2016, more than 2,000 breweries planned on opening doors and bringing more unique tastes to the craft beer market.

PRODUCT FUNCTIONS, FEATURES, AND BENEFITS

FUNCTIONS

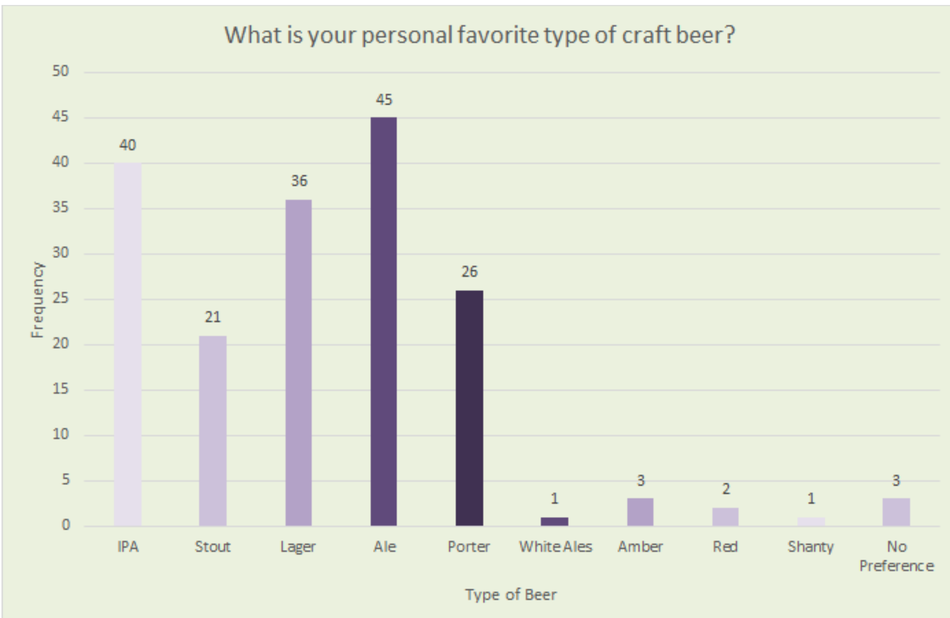
Craft beers have been gaining popularity in recent years. (Kell, 2016) Craft brews belong to a unique industry in that its functionality goes beyond just the consumption of beer. Beer is often used as a bonding element in many social gatherings between friends, families, peers etc. (Alworth, 2016) In this way, craft brews serve to build communities and provide a setting for individuals to spend more time together. One article claimed that breweries were the reason behind thriving communities stating that, “breweries often find run-down parts of towns that have great buildings. Once a brewery moves in and refurbishes an old building, it reveals the innate promise of adjacent buildings to prospective renters”. (Alworth, 2016) A brewery functions to increase the value of the community where it is located by potentially increasing the value and appeal of nearby properties.

Craft brewers are known to engage in philanthropy, donations, and event sponsorship. (Watson, 2009) This creates a unique relationship between craft brewers and communities. Due to smaller production scales, loyal drinkers can form relationships with brewers based on shared passion for craft beer (Watson, 2009) Thus, the craft brew itself exists as a platform for friendships between the community and producer.



FEATURES

Other possible reasons for this increase in popularity are the features that craft beer has. There are a plethora of different flavor notes in craft beer ranging from chocolate to orange to pumpkin to eggnog and many more. On top of the different flavor notes, there are also a variety of different types of craft beer. Some of the most popular choices can be seen on the graph below which shows what craft beers respondents to the survey preferred. Craft beer is also, by definition, brewed in small batches and many breweries claim to hand pick ingredients. Due to the small nature of the breweries it is often more accessible to drink beer locally. Many consumers have voiced a desire to shop locally and support businesses in their communities. (Henricks, 2011) Some other features which differentiate one craft beer from another are bottle shape, flavor, color of the beer, type of beer, branding on the bottle, and price.



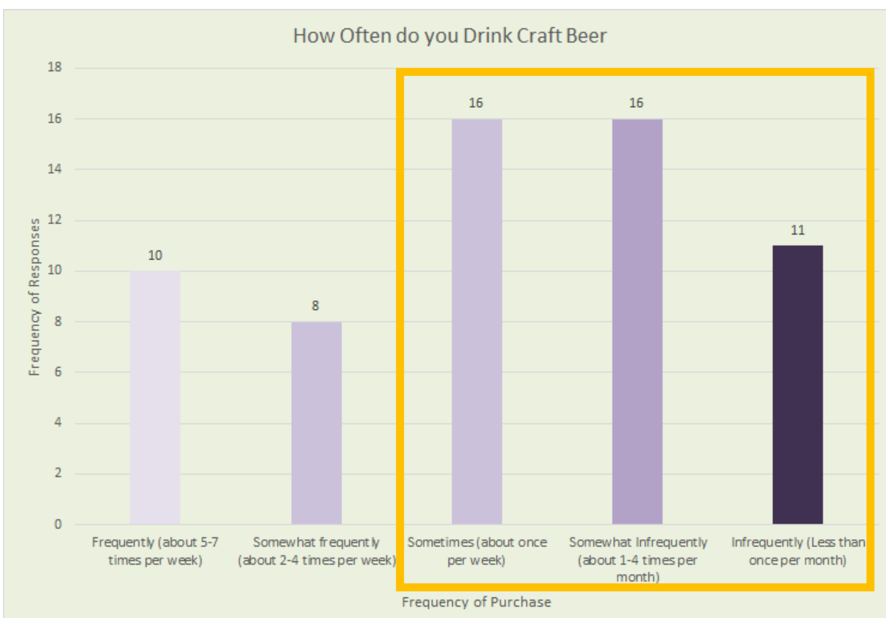
BENEFITS

One benefit that consumers expect from craft beer is, as stated previously, the opportunity to support more locally based businesses. Another benefit is the reputation that craft beer has a more “challenging taste, authenticity and often even a quirkiness not found in mass-market brews” (Reill, 2011). This is appealing to the younger age demographic who view themselves as being more rebellious and embrace brands that challenge the status quo (Jenkins, 2016). Craft beer also has more alcohol in it, which many consumers consider a benefit. In addition, craft beer has some health benefits, it contains soluble fiber, B vitamins, and antioxidants which can help counter osteoporosis. (Brew Fanatics, 2016) Lastly, craft beer generally has fewer calories than regular beer. (Brew Fanatics, 2016)

ABOUT PURCHASES

PURCHASE FREQUENCY

According to the survey the majority of consumers' drink craft beer once per week to less than once per month. This implies that it is not a very frequently purchased product. This could be due to the fact that oftentimes consumers purchase 6, 12, or 24 packs of craft beer at once. These multi-packs may last them a long time and reduce the need to purchase more frequently. As long as beer is kept within a specific range of temperatures it does not go bad, which also could account for the infrequency of purchases.



The graph below shows in what order consumers rank their preference for purchasing craft beer between at a restaurant, store, or bar. It shows that very few consumers prefer to purchase craft beer at a restaurant, in that specific setting the purchase of craft beer is lowest. The most common place that consumers indicated preferring to purchase craft beer is at the grocery store. This likely means that many consumers do not buy craft beer on its own, they purchase it along with the rest of their groceries.

The majority of the respondents to this survey were from Washington which likely impacted the responses to this question. In many states there are laws controlling where different types of alcohol can be sold. In Washington all alcohol can be purchased at a grocery store, but in states such as Pennsylvania and Colorado no alcohol can be purchased at grocery stores. These discrepancies in the laws regarding alcohol purchased at grocery stores likely impact the frequency and place of purchase of craft beer. The map below shows what types of alcohol can be purchased in the grocery stores of the different states.

Image taken from the Washington Post

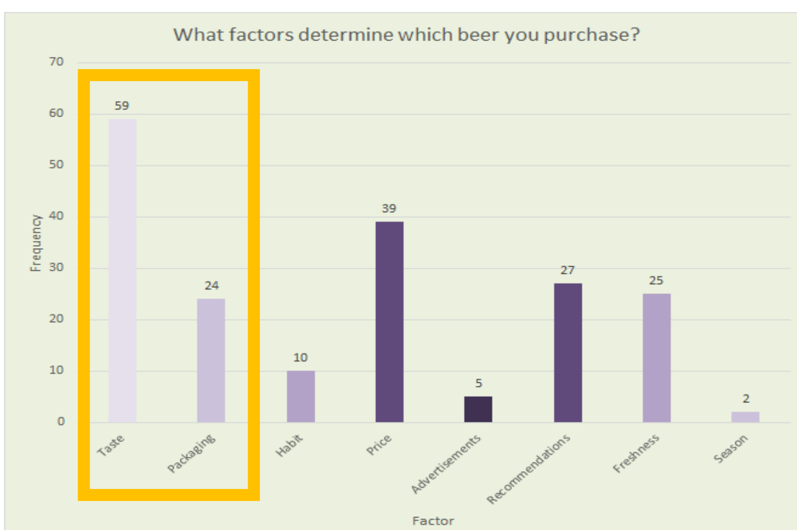
Additionally, a survey that included 24,041 adults aged 21+, responded that 11% of their personal consumption of beer between Feb. 2008-March 2009 was craft beer. (Mintel, 2009) Of the 2,150 adults aged 21+ who reported they drink microbrew beer, 31% stated Yuengling is their top preferred microbrew along with 29% stated Sierra Nevada was top preferred. (Mintel, 2009)

A survey was taken in 2015 by the Brewers Association and Nielsen Research which concluded that of the 1,000 regular craft beer drinkers, 58% stated they consume craft beer at least weekly. (Bernot, et al, 2015) The same poll examined purchasing behavior and discovered over the 1,000 regular craft beer drinkers, they purchase 3.6 brands per month. Also, 15% of respondents also said they purchase 10 or more brands per month. (Furnari, 2015)

PURCHASE DECISION FACTORS

EVALUATIVE CRITERIA

From the information gathered, consumers tend to view craft beers as somewhat of an impulse purchase, and craft beer drinkers typically “buy a different six-pack every week.” (Swartz, 2016) When evaluating alternatives, craft beer consumers are drawn to the wide selection of flavors and styles carried, and enjoy the ability to explore different beer while still having access to their favorite craft beers. (Carpenter, Et Al, 2017) However, the variety of beers makes it difficult for “gaining access to the beer drinkers evoked set” (Carpenter, Et Al, 2017) because the majority of these beers gain popularity through the use of trial and error. Based on the data found within the survey, the top three determinant factors considered when choosing craft beer are taste, price, and recommendations. In order for a beer to be placed within a consumer’s evoked set, craft brewers tend to place more emphasis on beer attributes such as style and flavor. According to the survey, respondents deemed these attributes to be among the most important in determining which beer they purchase.



LEVEL OF INVOLVEMENT & SOCIAL, CULTURAL, AND ECONOMIC FACTORS

LEVEL OF INVOLVEMENT

Craft beer is relatively inexpensive, so the level of involvement in the decision making process tends to be on the lower end. Personal factors influencing level of involvement include the importance of different qualities of the beer (i.e. freshness, taste, price) and the occasion in which the decision is being made. A 12 oz. bottle of craft beer sold in a restaurant generally costs about $4.25, while a six pack of craft beer averages about $8 in stores around the country. (NWBA, 2015) The average price respondents were willing to pay for a 12 oz. bottle of beer was $7.67. The largest group of respondents (26%) answered they would pay a maximum of $10 for a craft beer.

Based on the survey results, the majority of respondents (52%) spent less than five minutes choosing a brand/type of craft beer and 21% of respondents reported spending less than one minute on their decision. It appears that most consumers who answered this question engage in fast decision making while choosing a craft beer. Consumers are largely affected by habits, thus choosing a favorite brand or flavor of craft beer most of the time. Many of these purchase decisions are habitual decisions. However, it took 16% of respondents over 10 minutes to make a decision on which craft beer to purchase. These respondents likely engaged in a slower decision making process, but still use system 1, and evaluated alternatives or sought information. It is possible that these respondents are experienced and sophisticated craft beer connoisseurs. They have a refined taste in beer and carefully chose a beer based on taste, freshness, and what they have heard about the beer. It is also possible that these individuals are inexperienced craft beer drinkers and take more time to seek information regarding which craft beer they purchase.

Craft beer is considered low involvement and part of the satisfaction category on Richard Vaughn's FCB Grid. The quadrant is summed up by the process "do → feel → learn." The consumer makes the purchase based on feeling without a heavy evaluation of alternatives. After the purchase of the product, the consumer assesses satisfaction. More sophisticated craft beer consumers who are more involved in the decision making process are likely to experience high involvement and make the decision based on psychological factors.

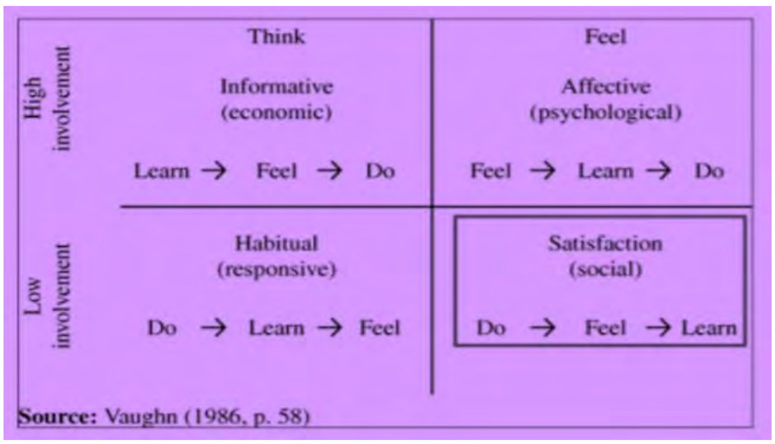


Image taken from the FCB Grid and its Flipside on WordPress

According to Carpenter, products in this category "appeal to sensory pleasures as social motives." (Carpenter, Et Al, 2017) The purchase of these products are highly influenced by quick personal or peer-led satisfaction. Based on the model, craft beer is affected slightly by brand ads and sales promotion, but primarily by word of mouth. (Neumann, 2017)

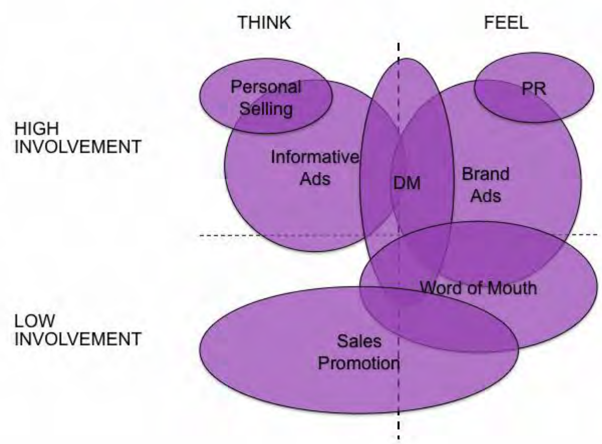
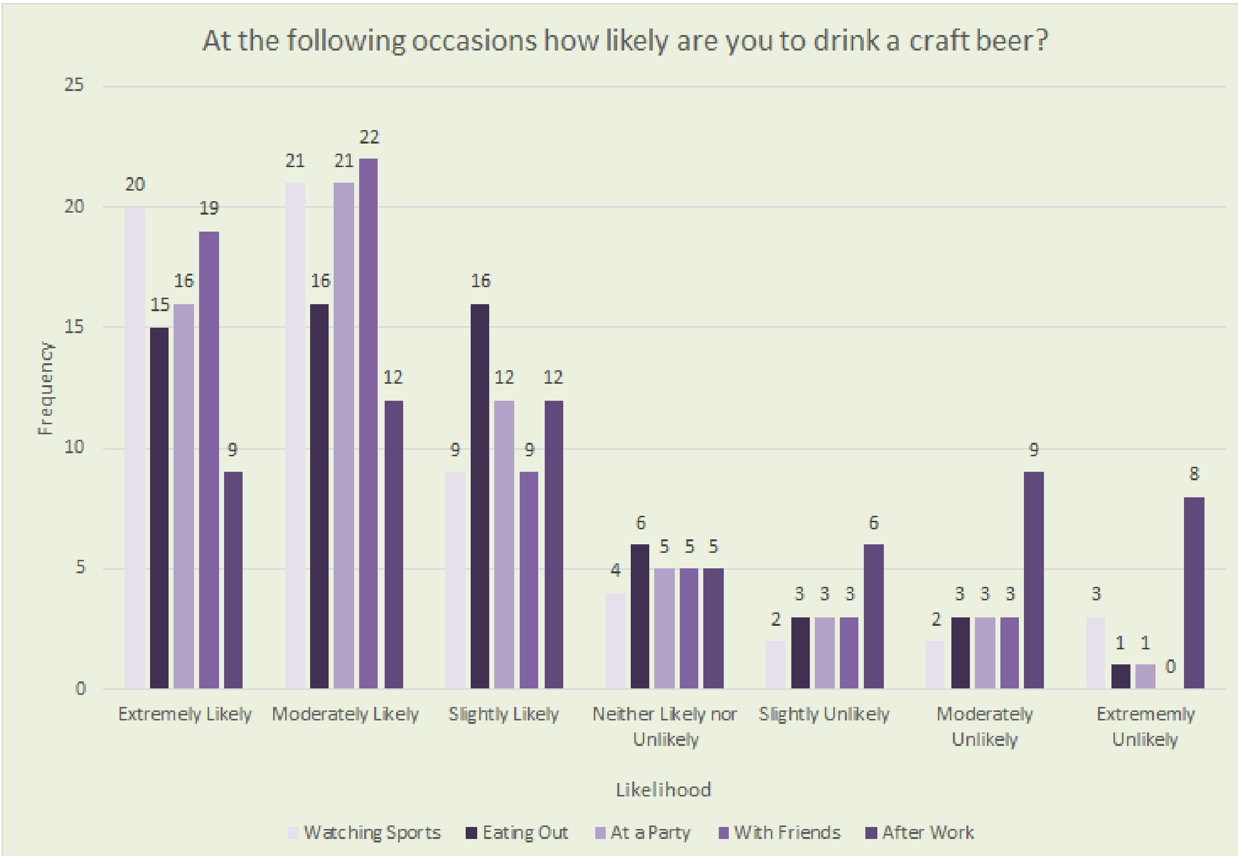


Image taken from the FCB Grid and its Flipside on WordPress

SOCIAL FACTORS

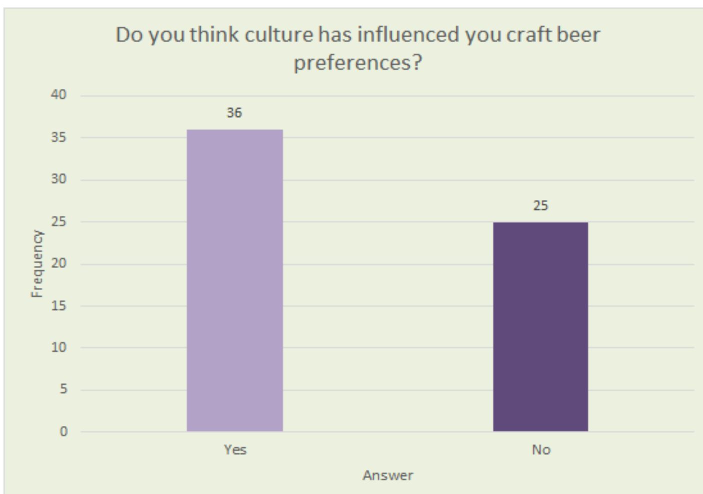
According to the survey consumers are the least likely to consume craft beer “After Work/At Home.” Respondents also reported to be the most likely to consume craft beer while “Watching Sports” and while “With Friends.” This shows that consumers prefer to drink craft beer when in social settings such as watching sports, with friends, or at a party. Consumers are less likely to consume craft beer when they are at home or eating out, which are generally much less social settings.

The consumption of alcohol, and therefore craft beer, is a social act. (SIRC, 2017) People are highly affected by the recommendations from others and are highly influenced by what social setting they are in. For example, Anheuser-Busch is considered a lower end, less desirable craft beer, and therefore in many scenarios it is not socially acceptable to drink. Due to the stigmatism surrounding Anheuser-Busch, many consumers may not even purchase it in the first place because of bad reviews. Brands such as Aslan, a regional brewery in Bellingham, are known to be high quality, recommended and are more socially acceptable to drink.

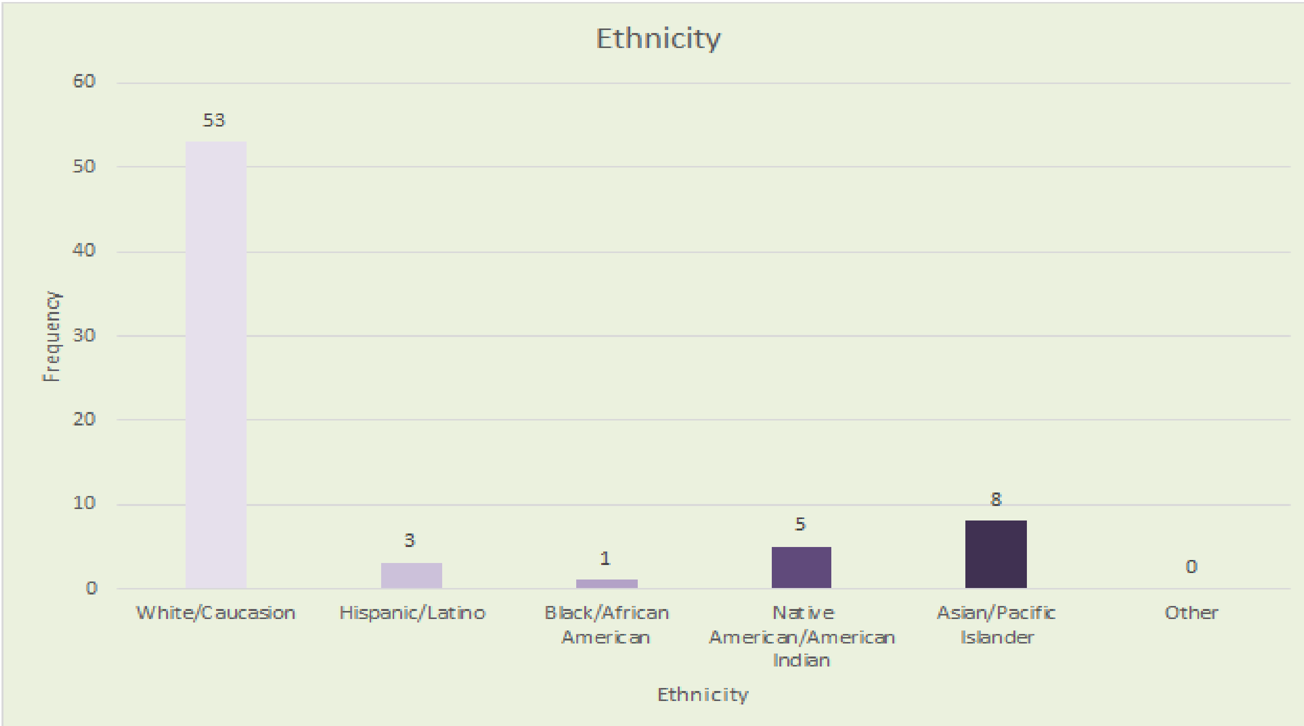


CULTURAL FACTORS

As shown by the graph below, about 59% of respondents in the survey reported that culture had influenced their craft beer purchases. This implied a cyclical nature between culture and craft beer. When asked to express how culture influenced the respondent's craft beer preferences, the responses were numerous and varied. This coincides with the nearly boundless ways in which culture can influence individuals. One of the respondents stated that, "People my age gravitate toward it more, talking about craft beer is now a cultural phenomenon." Another respondent said, "Growing up in a religious family it was often frowned upon to drink/get drunk. That influences my drinking in that I don't drink to get drunk, I drink for flavor. That makes me appreciate the taste of craft beer more." Yet another respondent reported, “I think a lot of it has to do with the Bellingham culture and love for craft beer here. There are a lot of places here like Aslan and Boundary Bay that offer great craft beers.” There seemed to be an emphasis placed on how the individuals wanted to be perceived by their peers. One respondent replied, “It's the manly thing to do. Peer pressure and how you want to be perceived in social settings are big influences.” Additionally, local influences such as availability of craft beers and variety impacted how respondents’ preferences were shaped by culture. (All responses can be viewed in appendix B).



The ethnic influence on culture was hard to estimate since there was not much variety in ethnic background from the respondents. Most respondents reported an ethnicity of “White/Caucasian” background as seen from the graph below. The second most commonly reported ethnic background was “Asian/Pacific Islander.” There was not much diversity within the sample. This coincides with the results from University Reporter. University Reporter used the terms “premium” and “super premium” to describe craft beer. On average for “premium” and “super premium” domestic beers, 86.25% of the respondents reported their race as “white.” (GFK Media Mark Research & Intelligence, 2016)

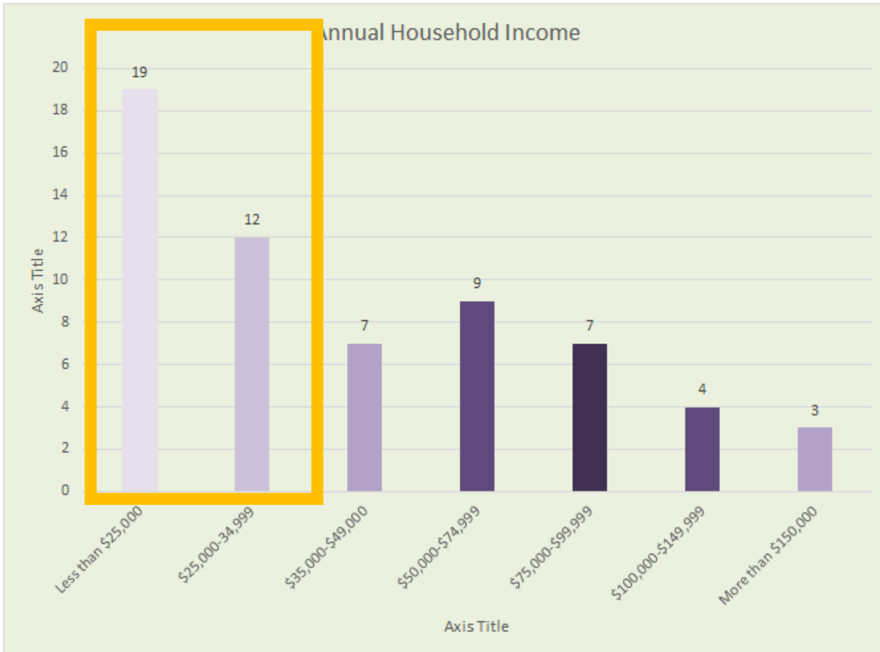


ECONOMIC FACTORS

Generally, craft beer tends to be more expensive than regular beer. Consumers often equate price to quality so the higher price of craft beer could cause consumers to perceive it to be higher quality. The average amount that consumers reported to be willing to pay for a single craft beer was approximately $7.67. The average amount that consumers reported to be willing to pay for a multi-pack of craft beer was approximately $18.93. Most of the respondents to the survey beer had annual household incomes between less than $25,000 to $25,000-$34,999. Even though most craft beer purchasers do not make a lot of money, they were willing to spend the extra money to purchase craft beer. This does not correspond with the results from University Reporter, which showed that approximately 35%- 41% of consumers who drank Samuel Adams, Yuengling, Sierra Nevada, or New Belgium in the last six months had an income anywhere between $75,000-$149,000. (GFK Mediamark Research & Intelligence, 2016) The discrepancy between the two sources is most likely due to the survey being a convenience sample.

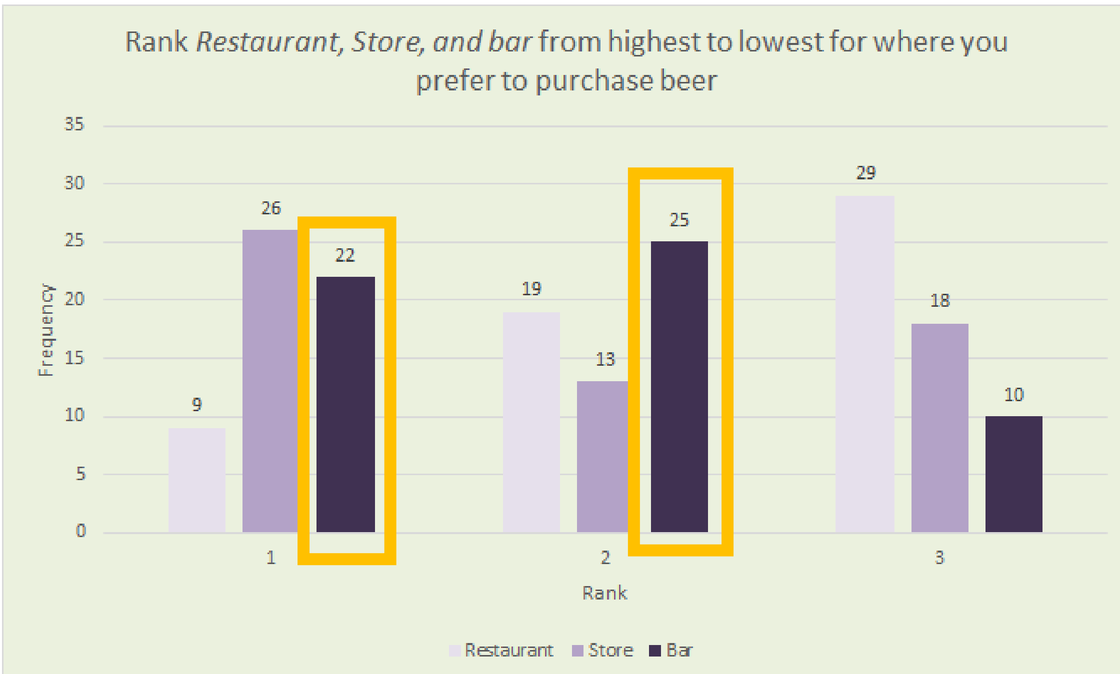
When purchasing a single craft beer what is the maximum you would be willing to spend?			
Minimum	Maximum	Mean	Standard Deviation
3	20	7.6718	3.41504

When Purchasing a multi-pack of Craft Beer what is the maximum you would be willing to spend?			
Minimum	Maximum	Mean	Standard Deviation
7	40	18.9833	7.36122



SOURCES OF INFORMATION USED AND PURCHASE TRIGGERS

Craft beer drinkers seek information about craft brews in a variety of ways, however the most popular way for consumers to gain knowledge is through mixologists and bartenders, who are vital for craft beer education. (Swartz, 2016) The survey conducted suggests that bars are typically the second or first most likely place for consumers to purchase craft beer, making bars a popular location for consumers to learn and test new beers, as is demonstrated on the graph below. An important purchasing trigger for consumers is the word “craft” itself. For younger generations, the word “craft” serves as inspiration to try various handcrafted brews, specifically for men between the ages 21-24, of whom 46% enjoy craft beers. (Nielson, 2015) The consumer definition of “craft” varies depending on background and social context. Fortunately, craft brewers are able to construct consumer perceptions of craft brews when consumers do try beer based on professional recommendations rather than tasting products at home. Consumer curiosity for craft spirits and beers is consistently growing especially for young generations, ages 21-25, and craft brewers use this as a competitive advantage. (Swartz, 2016)

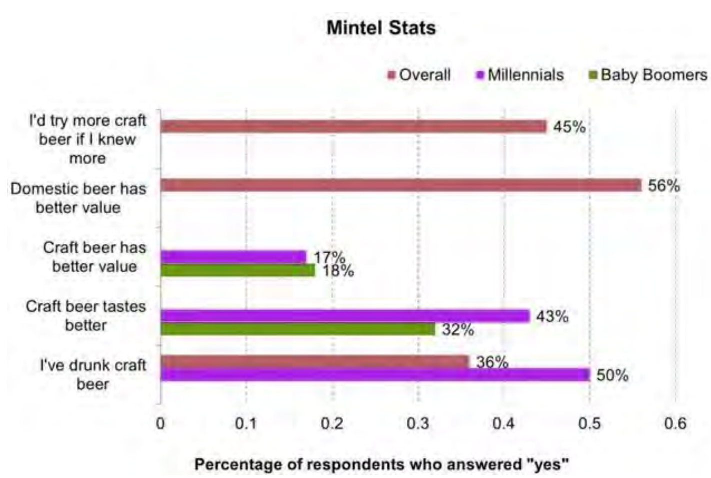


PRIMARY CONSUMER SEGMENTS

Based on our results, the primary segment of consumers who drink craft beer were people ages 19-30. Of course, we acknowledge that this is likely because the survey was a convenience sample and the major of people that took it (72%) are around the same age. The survey results showed that the majority of people who drink craft beer were women. Of the 61 respondents, 27 identified as male (44%) and 34 identified as female (56%).

Age Range	Frequency	Percentage
19-30	44	72.1%
31-4	4	6.6%
41-50	4	6.6%
51-60	6	9.8%
61-70	3	4.9%

Based on further research in the market, it appears that craft beer is popular among millennials who are 25-34 years old. This segment also has a huge opportunity to grow; 45% of millennials would try craft beer if they knew more about it (Chen, 2013). Millennials make up 25% of the U.S population, thus craft beer companies are missing on potential sales if this segment is neglected (Brewer's Association, 2015).



According to Brewers Association, the top three terms millennials associated with craft beer were: "small independent company;" "small batch production;" and "handcrafted"

(Brewer's Association, 2015). As a segment, 69% of millennials tend to think of themselves as more adventurous and willing to try new things (Swartz, 2016).

Although many consumers ages 21-35 have less disposable income, they still seek a stronger value for certain products instead of opting for the cheapest price (Brewer's Association, 2015). This data corresponds with the data collected from the survey. The majority of people who responded "yes" to drinking craft beer were around this age range.

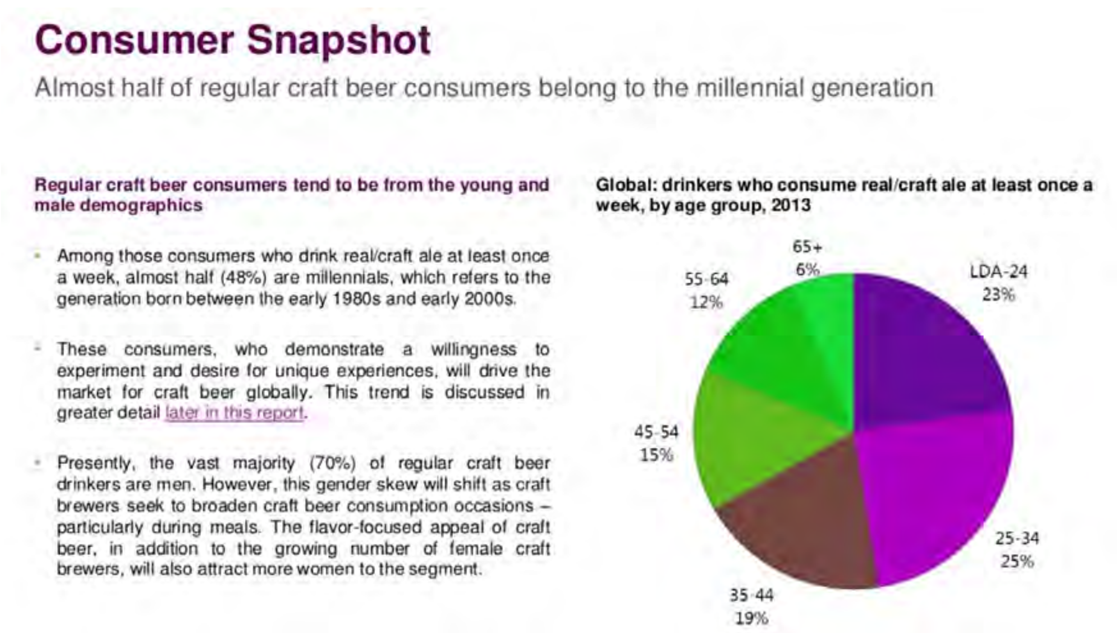


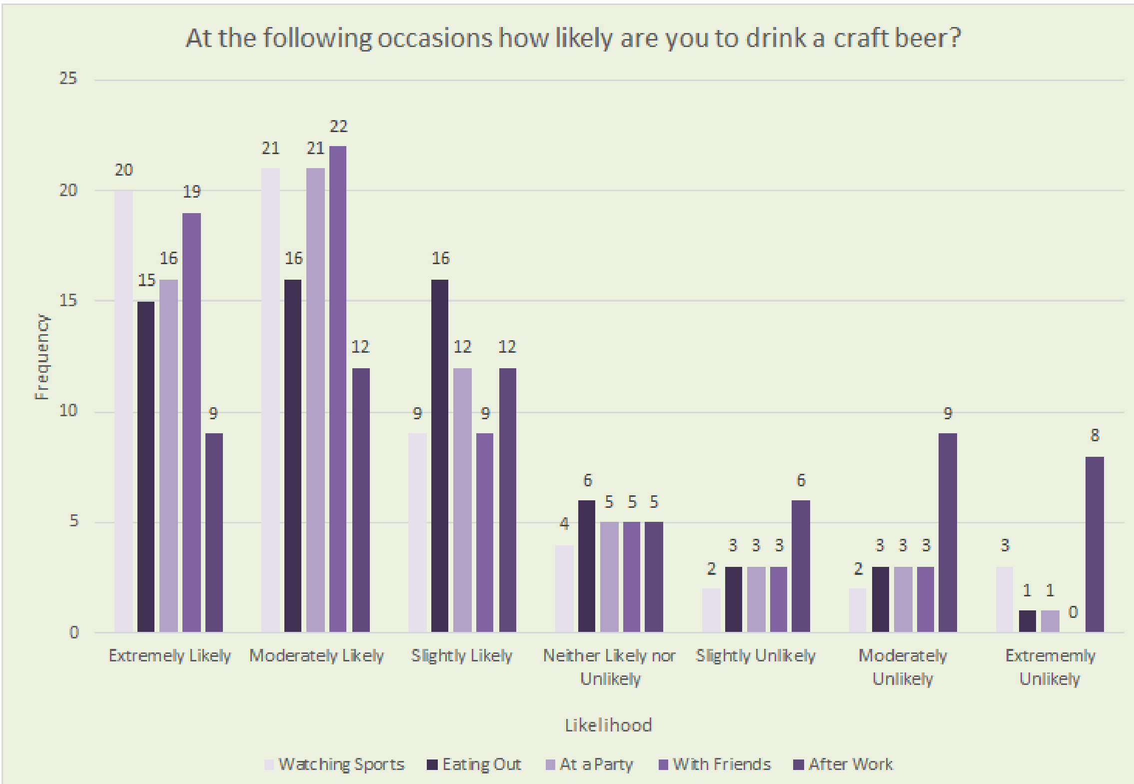
Image taken from Consumer Innovation and Trends in Craft Beer

CONSUMER PROFILES

Beer consumers are a diverse group, so it is difficult to segment them solely by age. Beer fanatics are often segmented on consumer profiles based on preferences and culture. Tom Burkemper, senior director of trade marketing for Anheuser-Busch, released the company's research on the five primary consumer profiles. The following research was pulled directly from the Restaurant Business Website, sharing the findings of the research: ("Restaurant Business: Who Are Your Beer Customers", 2017)

- **38% of beer consumers—the largest segment—are Loyalists. These are the core beer drinkers; they do a lot of their imbibing on premise and tend to socialize around beer and sports**
- **25% are Experimenters. These are people who have a passion for beer and are less price sensitive. They're looking for unique taste profiles and variety and gravitate toward craft brews**
- **15% are Aspirers. Ethnic groups are more dominant in this segment and they tend to drink imported beers**
- **12% are Trend Seekers. These consumers are all about creating memorable events around social occasions. Food/beer pairings are a popular way for this group to connect**
- **10% are Sippers. There's a skew toward females in this group, and beer is usually not their first beverage of choice. Sippers are spurring the growth of sweeter, fruity beers.**

Applying this data to the survey results, the majority of respondents are likely to fall into the loyalist and experimenter categories. Because the majority of beer consumers fit into the loyalist psychographic (38%), it is fair to estimate these core beer consumers socialize around craft beer. Most participants reported they were "Extremely Likely" or "Moderately Likely" to drink craft beer in social situations such as watching sports, eating out, at a party, or with friends. Most of the respondents likely fall into the experimenter category and value the taste of beer. 97% of respondents reported that taste was a major factor in the purchase decision process. In addition, most of the respondents said they would pay up to $10 for a craft beer, with one respondent answering that he/she would be willing to pay up to $20. Experimenters are less price sensitive and value taste and quality of beer more than the price.

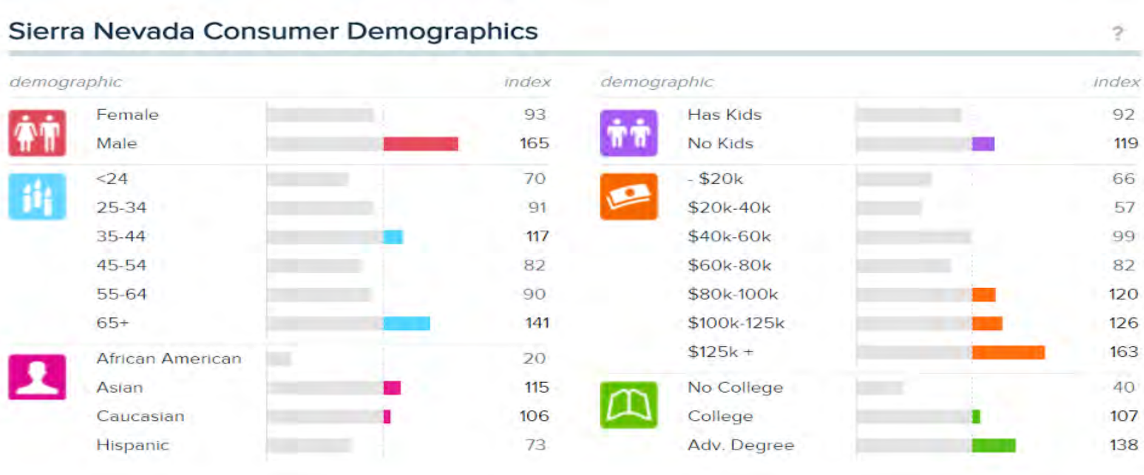


FIRM ALALYSIS

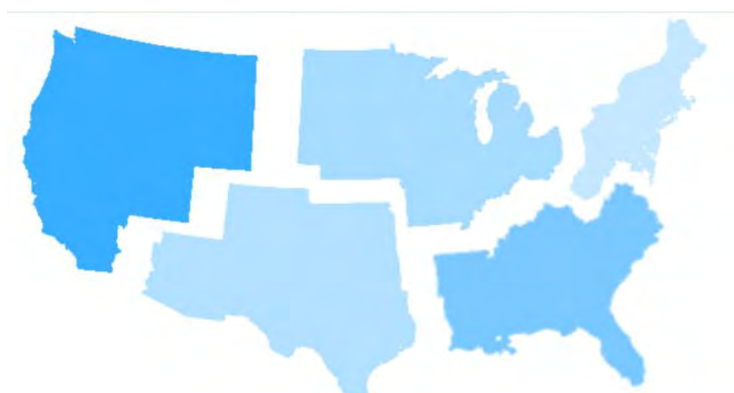
PRIMARY FIRMS: TARGET MARKET

SIERRA NEVADA

The target demographics for Sierra Nevada, according to InfoScout, were Asian men, ages 35-44 and ages 65 and older. These individuals did not have children, earned an annual income of $125,000 or more, and had an advanced degree ("Info Scout Sierra Nevada Consumer Insights", 2015). Sierra Nevada' target demographics reside in the northwestern part of the United States, which fits with the brand since it is based in California ("Info Scout Sierra Nevada Consumer Insights, 2015).



Graphic taken from InfoScout website



*The darker the color the more consumers purchased the product within that region

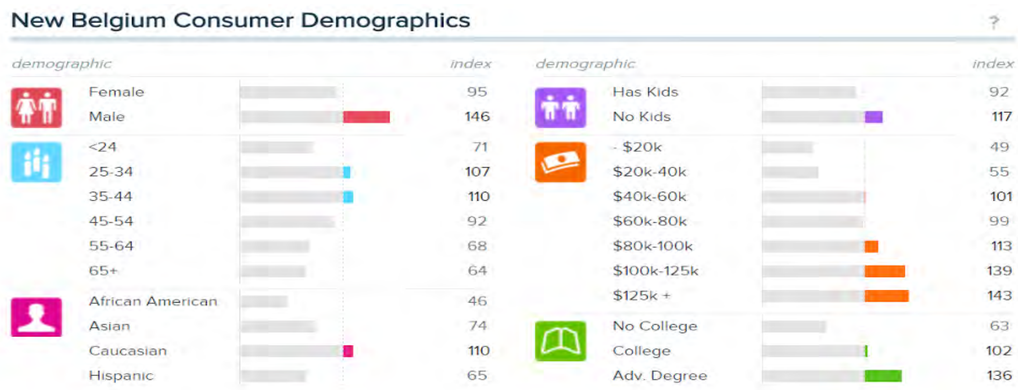
Graphic taken from InfoScout website

One aspect to note is that men ages 65 and older are less likely than younger generations to use television as a brand decision maker ("University Reporter Sierra Nevada", 2016). Sierra Nevada will need to make sure its promotions targeted towards this segment take this data into account.

Sierra Nevada is well known for being a perfectionist, and it capitalizes on this by targeting loyal consumers. These consumers prefer Sierra Nevada over other brands due to its superior taste and attention to detail (Digital Kitchen, 2017). These consumers likely fall under the “thinkers” VALS category (University of Northern Iowa, 2017). Thinkers are motivated by ideals and are well educated which fits Sierra Nevada’s target market. These consumers also fall under the consumer profile outlined previously in the report called “loyalists.” Loyalists like to consume their alcohol in social settings (Restaurant Business Online, 2017). Compared to the overall consumer segment for craft beer, Sierra Nevada resonates with a unique niche of consumers who tend to be older, earn a larger income, and thus have a larger disposable income. This would make sense given that Sierra Nevada is most commonly purchased at grocery stores or food establishments. Purchasing beers in these locations tend to be pricier than buying from a gas or convenience store. Particularly if the consumer is purchasing beer at a restaurant since they are paying for the entire restaurant/taproom experience.

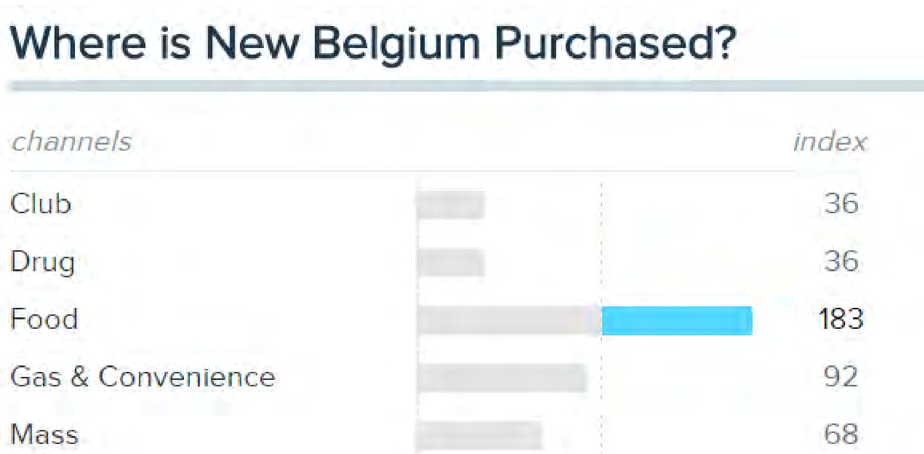
NEW BELGIUM BREWING COMPANY

The target consumer for New Belgium Brewing Company includes 25-44-year-old Caucasian men. They are more likely to have advanced degrees and generate yearly incomes of $100,000 or more. They are also less likely to have children (“Info Scout New Belgium Consumer Insights”, 2015).



Graphic taken from InfoScout website

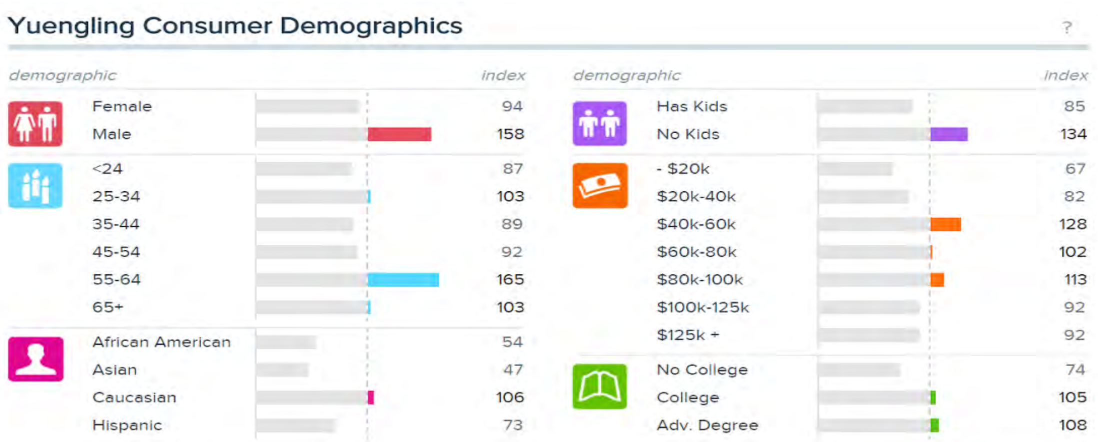
New Belgium’s consumers likely fit into the consumer profiles of Experimenters and Trend Seekers. The target consumer is similar to Experimenters based on their high levels of income. Experimenters have a passion for beer and are not as price sensitive. (University of Northern Iowa, 2017) Those that generate $100,000+ in annual income are not as likely to be price sensitive compared to lower earning consumers. Target consumers also purchased New Belgium beer at food channels (grocers, restaurants) most. This could indicate a Trend Seeker profile since trend seekers like to pair food and beer together to create memorable events.



Graphic taken from InfoScout website

YUENGLING

The target consumers for D.G. Yuengling & Son are Caucasian men, ages 55-64, who have no children. These individuals tend to bring in an annual income of $40,000-$100,000, and have either a college degree or an advanced degree ("Info Scout Yuengling Consumer Insights", 2016). People within this age range are significantly less likely to use television as a decision making tool for brand choice ("University Reporter Yuengling & Son", 2016). This should influence Yuengling's promotion strategy when it attempts to reach its target market.



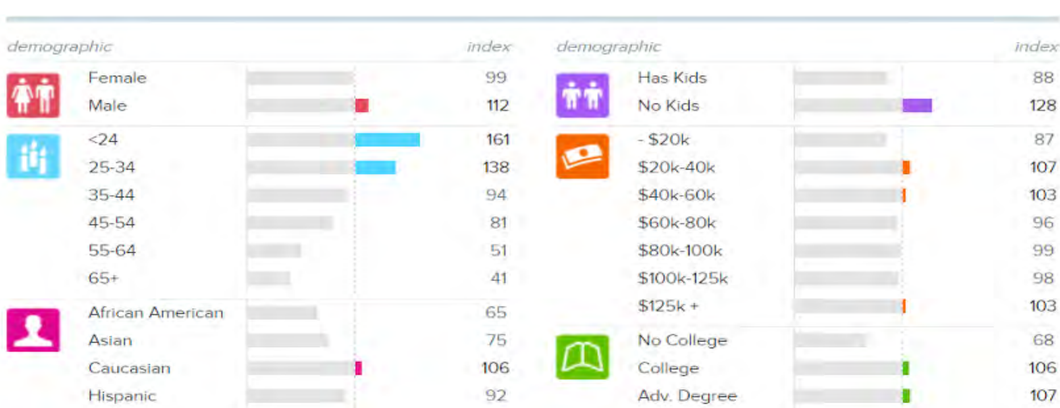
Graphic taken from InfoScout website

Consumers who purchase Yuengling tend to fit into the VALs "believer" category, mostly because these individuals are older and most likely have built up a preference for specific brands already. Believers are conservative, conventional people who value traditional, established codes and have strong national identity (University of Northern Iowa, 2017). This falls in line with Yuengling's general marketing strategy which emphasizes being the oldest brewery in America. Older consumers who enjoy Yuengling's may be attracted to the brand because of the emphasis on how long the brand has been established. Since age is often associated with wisdom, these consumers may consider a more established brand to have better quality.

Similar to Sierra Nevada and New Belgium, the majority of Yuengling's products are purchased in "food" locations (grocery stores or food establishments) versus in gas stations or convenience stores ("Info Scout Consumer Insights Yuengling", 2016). Again this is probably due to the fact that craft brews are often purchased in restaurant settings since consumers prefer to drink beer when socializing versus drinking it at home by themselves.

BOSTON BEER COMPANY

The target consumer for Boston Beer Company includes college educated Caucasian men under the age of 34. They have an income ranging from $20,000-40,000 and have no kids ("Info Scout Boston Beer Consumer Insights", 2016).



Graphic taken from InfoScout website

A Boston Beer Company consumer is likely a college student or graduate based on the age and lower income. For these consumers, Angry Orchard is most frequently purchased at food or gas convenience channels. This could indicate another “Trend Seeker” profile since these consumers might pair food and beer together. In addition, Angry Orchard is a sweeter cider with more potential for a female audience. This could indicate a target profile of “Sippers,” or women that prefer sweeter, fruity beers.

CONSUMER SEGMENTS FOR MAINSTREAM BRANDS

The primary consumer segments for beer in general can be fairly undifferentiated among brands. For the purposes of this paper Budweiser, Miller and Coors were chosen as representatives for analyzing the consumer segments of mainstream beer brands compared to craft beers. The target market of these three brands shared many similarities. The targets markets for all three were individuals ages 55-64 who did not have kids (“Info Scout Consumer Insights: Budweiser, Miller and Coors,” 2016). Budweiser and Miller both targeted males. Income across the categories varied, with Coors having more consumers making an income $100-$125K versus the consumers of Budweiser who tended to make an income of $20K or less. However, one aspect all three brands had in common was where the products were purchased. For all three, gas or convenience stores were the most frequent purchasing locations for these beer brands (“Info Scout Consumer Insights: Budweiser, Miller and Coors,” 2016). In comparison craft beers tend to have more consumers purchasing products through “food” locations versus gas or convenience stores.

PRIMARY FIRMS (MARKET SHARE, SALES VOLUME, PROFITABILITY ETC.)

Craft brews represent 12% market share of the overall beer industry (Crowell, 2016) Some of the top craft breweries include D.G. Yuengling & Son, Boston Beer, Sierra Nevada, and New Belgium Brewing. D.G. Yuengling & Son (Yuengling, 2017) is one of the oldest American breweries as a sixth generation family business originally established in 1829. (Yuengling, 2017) Instead of negotiating nationwide distribution, Yuengling primarily distributes along the East Coast. (Krause, 2016) According to IBISWorld's 2015 US Craft Beer Production report, Yuengling held a 19.3% craft brew market share in the fourth quarter of. This amounted to earning 964 million dollars in annual revenue and produced sales volume of approximately 2.5 million barrels brewed per year. (Krause, 2016)

Boston Beer Company held a 18.3% craft brew market share and earned 914 million dollars in annual revenue in 2015. (Krause, 2016) Boston Beer Company brewed the same sales volume as Yuengling at 2.5 million barrels per year. (Krause, 2016) Boston Beer Company currently brews under the Samuel Adams name while selling 96% of its beer domestically to 350 independent licensed beer distributors. (Krause, 2016) Unfortunately, mass distribution may have hurt its overall marketing strategy. Some of Boston Beer's customers have strayed to more unique brewers such as "Sierra Nevada" in response to its growth. (Solomon, 2015) By expanding distribution, Boston Beer may have compromised brand uniqueness for mainstream exposure. (Solomon, 2015)

Sierra Nevada held a 4% craft brew market share and earned 200-million-dollar annual revenue in 2015. (Krause, 2016) With a much smaller market share compared to Yuengling and Boston Beer, Sierra Nevada's sales volume amounted to 780,000 barrels brewed per year. (Krause, 2016) Having described itself as "passionate for the alchemy of brewing," Sierra Nevada built an advanced research and development center in 2005. (Sierra Nevada, 2016) The center is dedicated to analyzing the science behind beer quality and flavor. (Sierra Nevada, 2016) A couple years later in 2007, Sierra Nevada built the first solar paneled brewery which became the nation's largest private solar array. (Sierra Nevada, 2016)

New Belgium Brewing company held a craft brew market share of 3.6% and earned 180-million-dollar annual revenue in 2015. (Krause, 2016) Even though New Belgium had smaller market shares and profits than Sierra Nevada, it brewed a greater sales volume at 945,000 barrels per year. (Krause, 2016) New Belgium is unique to its competitors as it is a certified B corporation. (New Belgium Brewing Company, 2017) Certified B corporations challenge the notion that corporations are power-hungry, elitists. Instead, B corporations focus on being a "force for good" by emphasizing social and environmental values that are often overlooked by other businesses. (New Belgium Brewing Company, 2017)

Company:	Craft Brew Market Share	Sales Volume (annual barrels Brewed)	Profitability (annual Revenue USD)
D.G. Yuengling & Son	19.3%	2.5 million	$964 million
Boston Beer Co.	18.3%	2.5 million	$914 million
Sierra Nevada	4.0%	780,000	$200 million
New Belgium Brewing Co.	3.6%	945,000	$180 million

PRIMARY FIRMS: PRICING

The major advantage that craft beers have over its mainstream competitors is the ability to charge more for perceived quality. Whether or not the beer is actually higher quality is debatable, however in the mind of the consumer craft beer holds strong connotations with natural, unprocessed products and sustainability within these companies. This increases the amount consumers are willing to pay. The consumer is paying for the benefits associated with craft beer rather than the actual extra cost to make the beer itself.

According to Nielsen Insights, “Overall, pricing has been flat across all of the categories with certain exceptions in beer category (notably among craft brews)” (Nielsen, 2009). The pricing of craft beers tends to vary by restaurant. However, if it is purchased online it is possible to get a fairly consistent comparison between brands.

For a case of 12 cans containing 12 ounces, the price for the craft brews vary slightly. For Yuengling & Son the price was $9.99 (“Total Wine Yuengling Light Lager”, 2017). The cost for a case of Samuel Adam’s Winter Classic was $15.49 (“Total Wine Samuel Adams”, 2017). The cost of Sierra Nevada’s Pale Ale was $13.99 (“Total Wine Sierra Nevada”, 2017), and New Belgium was also $13.99 (“Total Wine New Belgium”, 2017). The price changes depending on the specific flavor and type of beer, the website one visits, as well as the location where it is purchased. The above prices were found through Total Wines’ website.

Interestingly, Boston Brewing Company charges the most for its beers even though Yuengling & Son was listed as the top craft brewing company of 2015. Yuengling in comparison charges the least amount for its beers (only $9.99) even though it is the top craft brewer. Boston Brewing Company was listed second and has a wider range of locations it distributes to which could contribute to the increased price it charges for its beers.

TAPROOM EXPERIENCE

Craft beers, while sold online and through retailers, are also commonly sold through taprooms. The real profits come through selling the entire taproom experience. According to the founder of Small Batch Standard, Chris Farmand, for most restaurants and taprooms the average price for a pint of craft beer is $3.62. Chris Farmand argues that when selling craft beer, brewers should be charging an extra 10% at least for the taproom experience (Farmand, 2017, p.1). Putting the product in the context of the taproom justifies charging extra since the product is no longer being sold by itself, but along with the taproom atmosphere, the quality of service and music etc.

Some restaurant aspects are influential in maximizing profits than others according to the Brewers Association. Offering popular brands combined with off-the-grid brands or seasonal beers increases the amount consumers are willing to spend. The atmosphere plays a large role as well. The Brewers Association states that profits are maximized when “Craft tap handles are placed in the most visible spot at the bar.” (Brewers Association, 2016, p.1). The increased visibility of the iconic tap handles and the unique styling for each brand increases consumers’ awareness of the options. It also allows the consumer to visually compare between the different options before making their choice.

SCARCITY

Craft Brewers are also able to charge extra for the scarcity of beer flavors or types. A common practice is for brewers to offer specialty or seasonal beers that are only available for a portion of the year (Farmand, 2015). The smaller batches increase the cost of production but enable the companies to position the beers as more valuable in the consumer's mind. Chris Farmand says "Patrons do not mind paying a little extra for bragging rights. I suggest charging 20-25% more than the highest priced flagship for specialty batches" (Farmand, 2015). This sets craft brews apart particularly if a brand offers a wide variety of options and flavors.

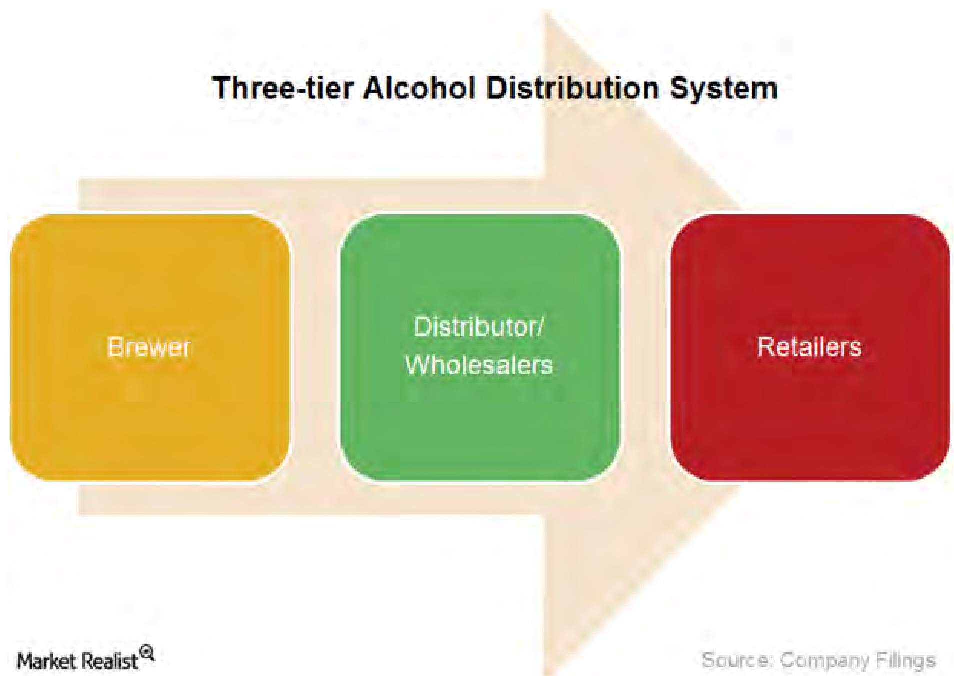
LIFESTYLE MATCH

Since craft beer tends to be a localized product, Chris Farmand says craft brewers should add an extra 5% for that aspect as well. "The public is grasping on to the "buy local" theme. Your product is as farm-to-table as it gets" (Farmand, 2017). This justifies charging extra, since consumers are paying for the added perceived quality and knowledge that they are supporting the local movement.

The "buy local" movement and others like it are essentially part of the shared lifestyles of craft beer consumers. The craft beer movement as a whole taps into the shared lifestyle and values of its target market. When a consumer buys a craft beer they are also paying to be a part of the community. The added cost of memberships to this somewhat exclusive club helps individuals feel that craft beer brands are truly worth more than other generic brands.

PRIMARY FIRMS: DISTRIBUTION

Yuengling & Son is the largest craft brewer in the country (Schultz, 2012). It focuses its distribution on the East Coast, but has recently branched out into several Midwestern states (Schultz, 2012). Yuengling & Son uses the three-tier system of alcohol distribution. The three-tier system starts at the brewer, who then selects the wholesaler/distributor, who then chooses the retailer(s) (Yuengling, 2017). The company strives to have three main networks in each state (BeerPulse, 2017). As of January 2017 Yuengling & Son had expanded its distribution to 19 states, the furthest East being Mississippi (Yuengling, 2017). By focusing distribution only within the United States, specifically the older Eastern states, Yuengling maintains its brand personality, which is to be a traditional, all American brand.



Graphic taken from Chen, 2013

Boston Beer Company also uses the three-tier system of alcohol distribution and has been very successful doing so (Chen, 2013). Boston Beer Company has made its way up to being the second-largest craft brewer in the country (Brewer's Association, 2016). It has reached Canada, Europe, Israel, the Caribbean, the Pacific Rim, and Mexico, but it is mostly focused on the United States (Chen, 2013). Having such a wide range of locations, arrangements have been made with approximately 350 wholesale distributors (Boston Beer Company INC, 2017).

New Belgium Brewing Company is the fourth-largest craft brewer in the country (Brewer's Association, 2016). Currently it is distributing its products in 45 states and is continuing to expand outside the US. Similar to the other brands, New Belgium Brewing Company also uses the three-tier system of alcohol distribution (Furnari, 2016).

In the United States, Sierra Nevada has reached distribution in all the states using the three-tier system of alcohol distribution (Sierra Nevada, 2017). It is the third-largest craft brewer in the country and has expanded to 17 other countries including Australia, British Columbia, Belgium, Canada, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Sweden, and United Kingdom. Although Sierra Nevada has limited distribution in those countries, it is continuing to grow and increase its presence worldwide (Sierra Nevada, 2017). This places Sierra Nevada within a consumer's evoked set, because their globalization allows them to be more well-known than other craft brewers.

PRIMARY FIRMS: BRANDING AND PROMOTIONS

D.G. YUENGLING & SON

D.G Yuengling & Son prides itself on being America's oldest brewery, producing lagers, porters and ales since 1829 ("Yuengling: An American Story," 2017). Yuengling's core values include commitment to excellence, superior service, a positive work environment, and embracing its American traditions and heritage ("Yuengling: An American Story," 2017). The brand follows a family legacy of producing quality craft beer, the best sellers being Lord Chesterfield Ale and Yuengling Porter. Yuengling has been adventurous in the types of marketing media it produces. The brand advertises using traditional media such as TV advertisements as well as more unique campaigns that heavily emphasis social media. Within the past year, the brand was negatively affected after the CEO expressed his support for Donald Trump. Following this statement, many gay bars refused to serve Yuengling beer.

Yuengling & Son's promotions are heavily focused on the brand's identity as the oldest brewery in the United States. One of its most successful campaigns was "Respect, It's Earned." The name alone likely resonated with Yuengling consumers, as the majority of them tend to be individuals ages 55-64. Older individuals have endured lifelong challenges earning the respect of those around them. The campaign had been effective at reflecting the values of its target market.

The focus on the "Respect, It's Earned" campaign was aimed at celebrating "the craftsmanship, tradition and perseverance of the family-owned and operated company and its signature beer, Yuengling Traditional Lager" (Gribbins, 2016). The campaign featured a number of advertisements which embraced Yuengling's long history. This was done by showcasing images, such as of the company's two-century old fermentation caves. These were used for storage before refrigeration was available. Yuengling appealed to consumers who highly valued tradition and appreciated Yuengling's rich history. The campaign included TV, print, digital, and on and off premise promotions. This allowed Yuengling to reach a large variety of consumer demographics.

Yuengling has also launched several social marketing campaigns, such as "Lord Chesterfield." Lord Chesterfield was an 18th century historical figure who was famous for the advice letters he wrote to his son. The Lord Chesterfield campaign featured its own website, connecting with consumers, as well as different social media platforms such as Twitter. The company reinforced customers' loyalty by giving out prizes for the "most loyal followers." (Prough, 2010). Yuengling's website created an exclusive club for loyal consumers to interact and socialize together online. In addition, Yuengling hired an actor to dress as Lord Chesterfield to go into bars and act as the brand spokesperson. This campaign aligned Yuengling with the wisdom and experience associated with age. The use of new styles of marketing were fitting for this campaign since the product being promoted was called "flagship ale" (Yuengling, 2010). There is little evidence whether the campaign was successful, however it definitely caught consumers' attentions with its originality.

Yuengling also ran several short 15-30 second, television commercials. These commercials were generally very simple and featured a bottle of Yuengling beer as the centerpiece with American flags in the background. The target market for Yuengling were reported as significantly less likely to use television in their brand choices. Using simple television ads, and keeping its focus on other forms of promotions, is therefore beneficial for Yuengling. The ads Yuengling does air fits with the strategy of emphasizing being the oldest, all American craft beer rather than keeping up with current trends (Furnari, 2012).

BOSTON BEER COMPANY

Boston Beer is a “family company” at heart, meaning the beer itself is most important to the company (Baer, 2014). Founder Jim Koch states that the company did not grow due to unique advertisements, but mainly because of its sales force. The company trained sales associates to go out and promote the brand. For the first ten years of existence, this is what grew the company name and helped build its popularity (Baer, 2014). Boston Beer chose to position themselves based on specific brand attributes it established including “best beer, full-bodied, exclusive, perfectionists, high variety, and American” (Schmidt, 2011). In comparison to competitors, Boston Beer competitively positioned itself as both an independent and traditional brewing company. Its advertising tactics surpass any form of traditional media. Instead, Boston Beer places most of its advertising efforts through sponsored events and active participation with consumers (Schmidt, 2011). The company enjoys being directly involved with consumers, rather than trying to gain popularity through print ads and social media (Schmidt, 2011).

A challenge Boston Beer has faced is maintaining its identity as a small, localized brand as it continues to grow. To stay rooted in its identity, Boston Beer uses multiple brands. Two notable brands in its portfolio are Samuel Adams and Angry Orchard. The company makes sure to keep the two brands distinct from one another, decreasing the chance that consumers will view the products as overly mainstream. This is especially important since a majority of Boston Beer’s consumers are millennials who are attracted to craft beers because of its distinction from mainstream offerings (Williams, 2014).

In 2015, Boston Beer Company increased promotional spending to counter the increasingly competitive craft beer market (Gensler, 2015). As mentioned earlier, Boston Beer Company owns a variety of brands. However, the company seems to keep the same promotional strategy for all of the brands: a focus on relatable advertising. The company uses events such as concerts and festivals to promote Angry Orchard (Gensler, 2015).

For Samuel Adams, a slightly more conventional set of promotional tools have been used: primarily T.V. commercials. These commercials seem to be very relaxed and relatable. For example, in the Samuel Adams advertisement “Stay Independent,” the narrator mentions bringing pets to work, having casual Friday, and not taking themselves too seriously. This likely appeals to the younger portion of its consumer demographic, people ages 35-44. Mentioning common workplace occurrences, such as casual Friday, make the brand seem more relatable and consumers like to purchase things that they can relate to. However, the brand also uses other less traditional forms of media to advertise.

For more unique promotional activities, Boston Beer has used QR codes on its posters. QR codes can be used to relay promotional information. When the code is scanned with a smartphone, it unlocks the promotion for consumer viewing. Another example was Boston Beer’s “For The Love Of Beer” campaign, which featured advertisements on Spotify. The company also embraced social media, attracting a younger and more technologically savvy demographic. It used social media contests and sweepstakes in order to draw in these consumers. Boston Beer has been adept at utilizing platforms tailored to younger consumers to build its brand relatability.

NEW BELGIUM BREWING

New Belgium Brewing is listed as the fourth largest craft brewer in the U.S. as of 2015 (“Top 50 Breweries of 2015,” 2015). The brand opposes traditional advertising, believing it would diminish authenticity (“Fat Tire Brand Strategy,” 2017). StealingShare, a global company that focuses on helping other companies rebrand, tried to persuade New Belgium that advertising could help the craft beer company grow. However, New Belgium remained loyal to its beliefs by advertising with authenticity and focusing on customer experience ("Fat Tire Brand Strategy," 2017).

The company's mission statement is "To manifest our love and talent by crafting our customers' favorite brands and providing business can be a force for good" (History and Core Values). The company values producing world class beer, as well as "kindling social, environmental and cultural change as a business role model" and "environmental stewardship: honoring nature at every turn of the business" (History and Core Values). New Belgium is a brand focused on sustainable brewing and respect for the environment, culture, and especially coworkers and their families.

As a certified B-Corporation, New Belgium meets the triple bottom line and takes into account environmental and social aspects of the business as well as profit. Environmentally, New Belgium donates 1% of sales to environmental causes (New Belgium Brewing Company, 2011). Socially, it contributes $1 for every barrel sold to philanthropic endeavors and offers an Employee Stock Ownership Plan for workers (Underwood, 2015). Since the company is 100% employee owned, new hires are taught basic financial concepts and are given access to the company's financial data. New Belgium is an active force in the community and connects with customers through special events such as the Tour de Fat, a traveling festival celebrating bicycles (Underwood, 2015). Millennials have become centralized in the craft beer market, New Belgium appeals to them by remaining authentic, transparent and brewing for the greater good. The implementation of these programs reinforce New Belgium's brand values and prove 'business can be a force for good.'

New Belgium Brewing Company is able to communicate its brand personality through a variety of mixed media promotions. The company advertises at a number of events including music festivals, marathons, other festivals, and more ("New Belgium Events", 2017). New Belgium also advertises using a blog that covers beer pairing suggestions ("New Belgium

Recipes and Pairings," 2017). This site offers consumers different recommendations on which meats and entree choices pair well with New Belgium beers. In this way, New Belgium is providing its consumers with valuable content that they can use, versus simply plying them with more information about New Belgium's brand.

New Belgium also uses humor in many of its promotional strategies. An example of this is the YouTube/social media advertisement "Are You Looking for A Ranger?" The advertisement, made in 2014, was a spoof on 80's dating videos. The music in the video repeated the words "ranger" and "beer" frequently in order to keep the focus of the ad on beer instead of dating. The advertisement appeals to the target market since many of the consumers were alive in the 80's. In addition, the advertisement also had the potential to be nostalgic for consumers. However, since humor is the main focus of the video, New Belgium's branding is not very prominent. The writers of this report thought that this was the best promotion, from a marketing point of view. The use of humor, music, and wide appeal to the company's entire target market make this add exceptionally effective. Another aspect of this advertisement that makes it effective is that it, and other advertisements like it, have the potential to remain effective over a long period of time. Because it is a spoof of the 80's it is already intentionally dated. When unintentional, being dated is often an issue that many advertisements have.

Since the video does not prominently display the New Belgium brand, it is most likely targeted towards New Belgium's current consumers. Individuals who already are familiar with New Belgium's Ranger IPA are more likely to appreciate this ad and connect the positive emotions it curates back to the brand. Individuals who are unfamiliar with New Belgium may find it funny, however it will be less effective for them since they cannot connect the ad back to the brand. Therefore, this video does nothing to increase the standing of New Belgium in the minds of new consumers. The brand does offer several television commercials, but they are few and far between. The T.V. commercials that New Belgium does produce are primarily short 15-30 second videos focused on providing information about the products (Shikes, 2016).

One aspect that differentiates New Belgium's strategy from its competitors is how it has made all of its advertisements downloadable from its website (New Belgium, 2017). By doing this, it encourages consumers to share New Belgium's content and promote the company on social media. On Facebook, more than 100 million hours of video are watched per day (Constine, 2016). The current consumer demographics of New Belgium are men under the age of 34. This age group is generally active on social media. If consumers are sharing these videos on Facebook and other social media platforms, the company has the potential to reach a much wider variety of consumers.

SIERRA NEVADA

Founded in 1980, Sierra Nevada is considered a "pioneer" in the craft brewing industry (D.K., 2017). The company's values revolve around producing quality brews while still limiting its impact on the environment (Schawbel, 2013). Founder, Ken Grossman, believes most of their success is not due to intense marketing strategies, but because of company identity and authenticity as a whole. The brewing team of Sierra Nevada is consistent when it comes to creativity and understanding what craft beer drinkers desire (Schawbel, 2013). Grossman states that the company feels they are being "innovative in the brew house," and they are therefore "rewarded in the taps" (Schawbel, 2013). However, with the craft beer industry being so competitive, Sierra Nevada decided after 30 years of success to redevelop their brand affinity and hire an outside source to accomplish their goals (D.K., 2017).

After hiring Digital Kitchen, Sierra Nevada chose to further develop their brand identity through storytelling. Sierra Nevada has been able to position themselves in the market as a pioneer brand who serves quality craft brews. A website redesign, in-store marketing programs, and an anthem film have been particularly instrumental in shaping consumers’ perceptions of its brand (D.K., 2017). The company was able to position themselves as not just a pioneer, but a consistent force within the industry. Sierra Nevada’s website revamp in particular allowed the brand to emphasize the its history with craft beer, while the anthem film really drove home its authenticity in the industry (D.K., 2017). This anthem film was one of the most effective campaigns out of all of the campaigns mentioned in this report. The music, nature scenes, sense of exploration and adventure, and simplicity really represented the brand’s personality well. Consumers who identified strongly with the Sierra Nevada brand reacted very positively to the anthem video.

Sierra Nevada prides itself in taking more of a sales approach, as opposed to an inbound marketing approach to its promotions (Griswold, 2013). Joe Whitney, head of sales and marketing said, “If you walk down the grocery aisle and you get to beer, you say, 'What's wrong with this category? There are hundreds of players, there's all these flavors. It's total chaos." He does not think that an increase in advertising will be the solution to this problem (Solomon, 2014). Instead, Sierra Nevada concentrates on researching and producing significantly different tasting beer than competitors. As mentioned previously, the video advertisement that the company produced was a four-minute-long anthem film that utilized storytelling and affective appeal. The video featured nature, peaceful music, and invited consumers to bond with the brand on a more emotional level. These were “real” people promoting the beer which allows consumers to connect themselves to the brand on a personal level. The ad represented the company's endeavors in the industry and not only invited consumers to be a part of the journey, but suggested that consumers have been a vital part of their success from the start. (Sierra Nevada, 2013).

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APPENDIX

APPENDIX A

Do you drink craft beer?

- Yes
- No

>>

How often do you drink craft beer?

- Frequently (about 5-7 times per week)
- Somewhat frequently (about 2-4 times per week)
- Sometimes (about once per week)
- Somewhat Infrequently (about 1-4 times per month)
- Infrequently (Less than once per month)

>>

When you purchase craft beer how long does it take you to decide which craft beer to purchase?

- Less than 1 minute
- Less than 5 minutes
- Less than 10 minutes
- Less than 15 minutes
- More than 15 minutes

>>

When purchasing a single craft beer what is the maximum you would be willing to spend?

>>

When purchasing a multi-pack of craft beer what is the maximum you would be willing to spend?

>>

What type(s) of beer do you drink? (select all that apply)

- IPA
- Stout
- Lager
- Ale
- Porter
- No preference
- Other

>>

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What is your personal favorite type of craft beer?

\>>

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Which factors determine which beer you purchase? (select all that apply)

- ☐ Taste
- ☐ Packaging
- ☐ Habit
- ☐ Price
- ☐ Advertisements
- ☐ Recomendations
- ☐ Freshness
- ☐ Other

\>>

WESTERN
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When you go to a restaurant how often do you purchase craft beer?

- ○ Every time
- ○ Most of the time (around 75% of the time)
- ○ Sometimes (around 50% of the time)
- ○ Not very Often (less than 25% of the time)
- ○ Never

\>>

WESTERN
WASHINGTON UNIVERSITY

When you go to a restaurant how often do you purchase craft beer?

- ○ Every time
- ○ Most of the time (around 75% of the time)
- ○ Sometimes (around 50% of the time)
- ○ Not very Often (less than 25% of the time)
- ○ Never

\>>

WESTERN
WASHINGTON UNIVERSITY

When you go to a bar how often do you purchase craft beer?

- ○ Every time
- ○ Most of the time (around 75% of the time)
- ○ Sometimes (around 50% of the time)
- ○ Not very often (less than 25% of the time)
- ○ Never

\>>

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Drag and drop to rank the below option from highest (1) to lowest (3) for where you prefer to purchase craft beer.

1. Restaurant
2. Grocery/Convenience Store
3. Bar

\>>

Select the bubble that corresponds to how likely you are to drink craft beer on the following occasions.

	Extremely likely	Moderately likely	Slightly likely	Neither likely nor unlikely	Slightly unlikely	Moderately unlikely	Extremely unlikely
Watching Sports	O	O	O	O	O	O	O
Eating out	O	O	O	O	O	O	O
At a party	O	O	O	O	O	O	O
Get-together with friends	O	O	O	O	O	O	O
After work/At home	O	O	O	O	O	O	O

\>>

Do you think culture has influenced your craft beer preferences?

- Yes
- No

\>>

How do you think culture has influenced your craftbeer preferences?

\>>

Please specify your gender identity.

- Male
- Female
- Other

\>>

Please specify your age.

\>>

Please specify your ethnicity (select all that apply).

- White/Caucasion
- Hispanic or Latino
- Black or African American
- Native American or American Indian
- Asian or Pacific Islander
- Other

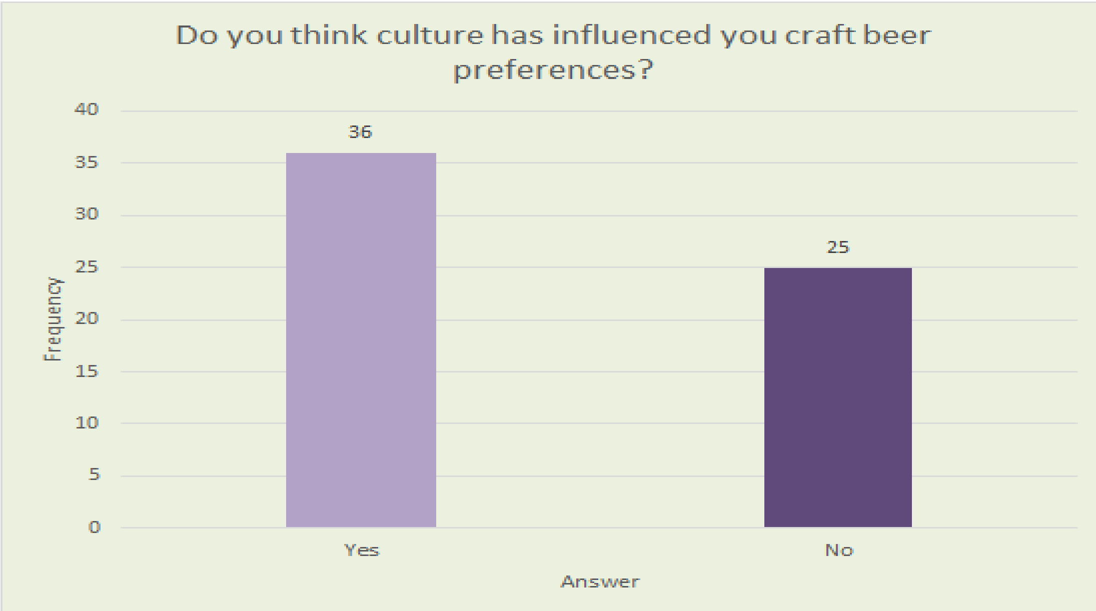
\>>

Please specify your annual household income.

- Less than $25,000
- $25,000-34,999
- $35,000-$49,000
- $50,000-$74,999
- $75,000-$99,999
- $100,000-$149,999
- More than $150,000

\>>

APPENDIX B



- Activities within my community
- Small town culture, & family have incentivized me to drink craft local beer.
- It's the manly thing to do. Peer pressure and how you want to be perceived in social settings are big influences.
- The older I get the more educated and willing I become to try new craft beers.
- Advertisements, Friends,
- Culture has influenced my crafter preferences from what I've seen on forms of Social Media, people post their preferences and/or breweries they go to.
- Bellingham has so many tasty breweries. It is so easy/common to grab a beer and talk with friends.
- Bellingham culture has made me more picky
- Availability of lots of choices
- I think craft beer is made for people who like trying new/different things
- Other people influence what you like and dislike via their preferences
- (Because) it's cool to look like you've got the manliest beer in the bar
- It's more available and more choices in different venues
- Beer snobs in Bellingham being condescending about drinking Pabst
- The craft beer industry has boomed over the past few years, and they've done a fantastic job creating social atmospheres along with it.
- People my age gravitate toward it more, talking about craft beer is now a cultural phenomenon
- Marketing creating the curiosity
- There is more awareness and choices
- Growing up in a religious family it was often frowned upon to drink/get drunk. That influences my drinking in that I don't drink to get drunk, I drink for flavor. That makes me appreciate the taste of craft beer more.
- It’s become popular
- I'm partial to exploring local brews especially upon recommendations.
- Not much
- Some craft beers have cultural labels that cause me to try them out.
- It has made me bias towards craft beers in my local area
- all "men" drink beer
- I am part of the home brewing culture.
- My friends like it
- The culture of the Northwest, combined with the people I surround myself, has influenced my preferences.
- I think a lot of it has to do with the Bellingham culture and love for craft beer here. There are a lot of places here like Aslan and Boundary Bay that offer great craft beers.
- The Northwest is a great place for craft beer and IPAs tend to be the most popular here.
- Local influence, word of mouth

APPENDIX C

The following list of terms and definitions were collected from IBIS world. (Petrillo, 2016)

Adjunct: Optional ingredients used during brewing process as either a supplement to the primary grain bill or as a replacement for more costly ingredients.

Barrel: A container for beer that is equivalent to 2 kegs, 31 gallons, 1.17 hectoliters or 330 12-ounce servings of beer.

Brewpub: A restaurant-brewery that sells more than 25.0% of its beer on-site.

Craft Brewer: A brewery that has annual production of less than six million barrels and has fewer than 25.0% of its ownership in the hands of a non-craft brewer. It typically targets local and regional markets.

Fining Agents: Optional beer clarifying agents added during the brewing process to coagulate proteins that would otherwise result in a cloudy or hazy beer presentation.

Malt Beverage: The general name for products made with malted barley or hops. It must derive the majority of its alcohol content from the fermentation of brewing ingredients.

Malt Liquor: Defined as a malt beverage with an alcohol content of higher than 6.0% in most states; this term has legal and tax implications for brewers and distributors.

Microbreweries: Breweries that each produce fewer than 15,000 barrels of beer per year with 75.0% or more of its beer sold off-site.

Regional Breweries: Breweries with annual beer production between 15,000 and 6 million barrels each. Also referred to as small breweries.

Sparging: The process by which grain-soaked water is filtered and drained before being boiled and ultimately fermented.