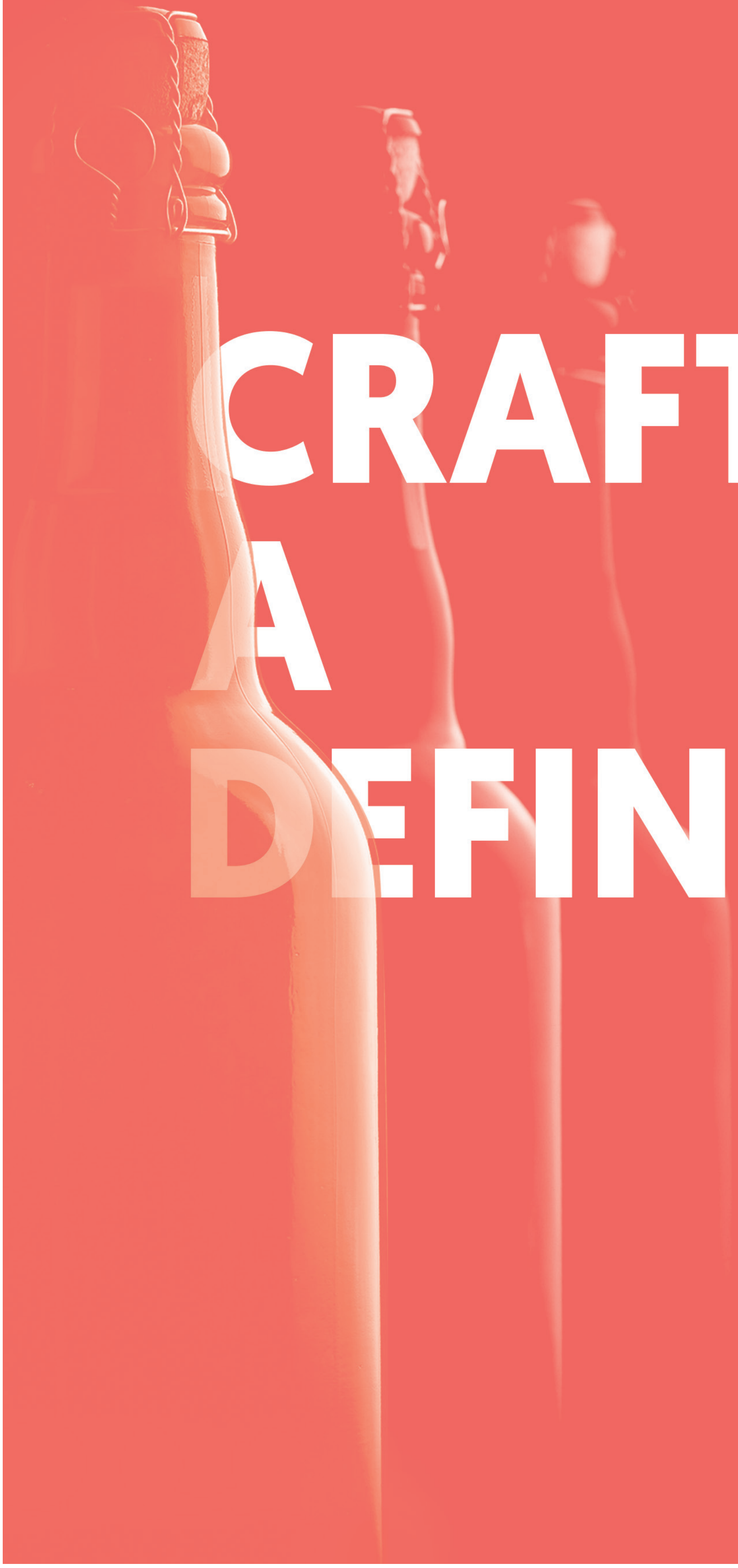

CRAFTING A DEFINITION

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The craft beer revolution has reached tipping point. Perhaps a victim of its own success, the revolution is forcing brewers and drinkers alike to reconsider the meaning, and see how far the term can be stretched. Bigger brands are reacting swiftly, buying up smaller breweries and launching their own 'craft' products. But it's driving smaller producers to question; if large brands have the capability to create 'craft' beer, what actually is 'craft' beer, and what does this mean for the industry as a whole?

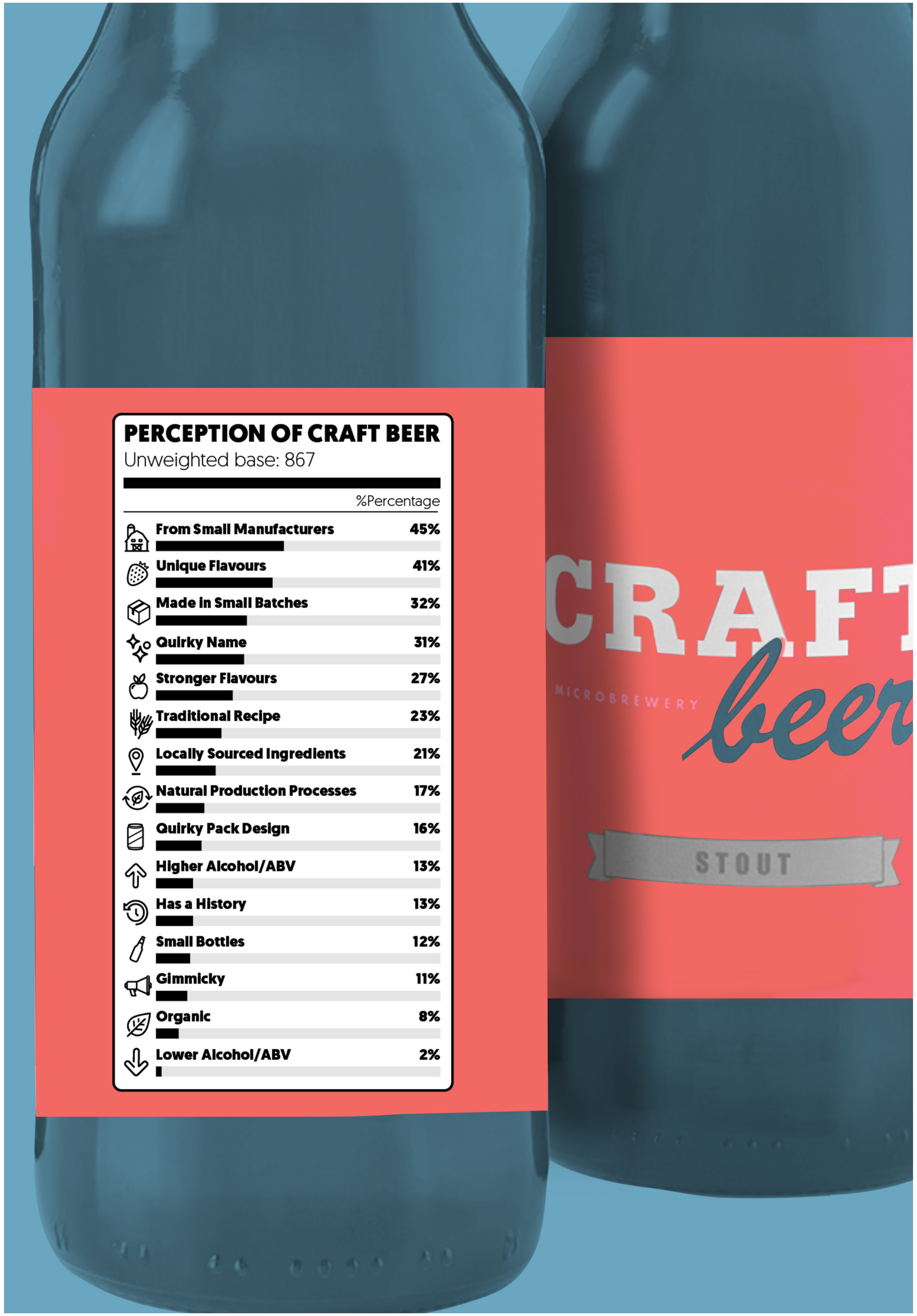
Beginning life in the 1970s, as a response to the mass production of 'fizzy beers' dominating the market place, craft beer filled the gap in the market for something totally different. Individual pioneers began brewing beer at home, which evolved into a wave of microbreweries where the products were local, had an individual heritage and used experimental flavours in their recipes. Conceived from places such as Bristol and East London, a new urban audience for beer was born.[1]

The success is clear to see; in the past five years, the craft beer industry has grown 64% and shows little sign of slowing down[2]. As a result, global brands have had no choice but to respond, and have sought to buy into small breweries all around the world. As well as buying smaller microbreweries, the big breweries are launching their own products to show off their 'craft' credentials and heritage.

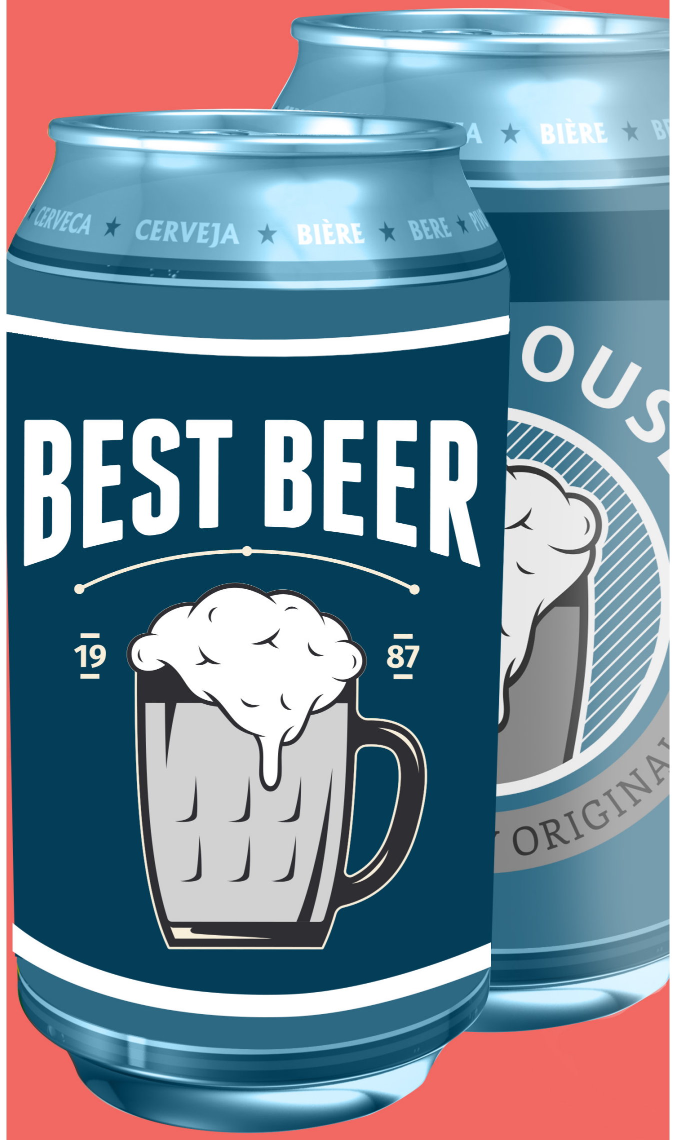
In response, independent breweries have looked to defend their position, and there have been multiple attempts to protect the notion of craft beer becoming a diluted concept. The society of independent brewers' association (SIBA) have launched a 'seal' to recognise beers produced by independents and ensure consumers are not misled by craft products from larger brands posing as such.[3]

As the battle between the large brands and independent breweries intensifies, a key question remains unclear. A hard definition of the term 'craft beer' has never been solidified. Without this, the term 'craft' is almost redundant: misunderstood by manufacturers, retailers and consumers alike, and lacking a unique selling point. Importantly, without a definition, the battle between the large and small players will never be won or lost. Because without a 'right' definition, there isn't a 'wrong' one either.

In December 2017, Ipsos surveyed 867 alcohol consumers, where we asked them to tell us which attributes they most strongly associate with 'craft' in respect of beer. By understanding how the consumers themselves *perceive* "craft", we are able to show how manufacturers large and small can communicate craft to consumers. Semiotic analysis also revealed what signs and symbols 'craft' logos from large and independent breweries conveyed.



24% ASSOCIATE CRAFT WITH QUIRKY PACK DESIGN



We found that UK consumers are most likely to associate craft beer with the scale of production: 45% believe craft beer is defined by it being from small manufacturers, and 32% view craft as being brewed in small quantities. Distinguishing features are also really important; 41% associate craft with 'unique flavours' and 31% with having a 'quirky name'. Interestingly, consumers have weaker associations with nostalgic ideas of traditional recipes (23%) and 'having history' (13%) and very few see craft as being a health choice.[4] The majority of consumers only have a cursory understanding of craft beer. Purists and connoisseurs aside, the varied taste and style options are the most important distinctions when consumers seek a craft beer.

Associations of craft beer differ by age group, with older consumers having stronger nostalgic associations in its traditional and local infancy, and for the millennials it's all about style. Almost a third of 18-34 year olds (30%) associate craft with quirky names, 24% associate craft with quirky pack design, and 18% associate craft with small bottles. Less than one in five 18-24 year olds associate craft beer with coming from a small manufacturer compared to more than half of those aged 35 and above. Similarly, younger consumers see weaker associations with production methods; only 11% of respondents under 35 associate craft beer with natural processes, or traditional recipes (20%).[4]

Ipsos spoke to a Marketing manager of a pub operator, which runs 690 pubs and bars across the UK; from high street pubs, to country inns and late-night venues. Their experience with consumers and craft beer broadly align with our survey findings. They see millennials seeking craft for its limited supply and interesting packaging and artwork. In response to the latter, there has been a move to canned formats, which allow for the graphics to stand out better when displayed in bars, pubs or clubs. Furthermore, in reaction to millennials liking of perceived 'limited supply', which plays into their desire for exploration and discovery, pubs are leveraging marketing tactics, such as count down boards which detail how many pints of a certain brand are left on a particular night, which adds to the perception of exclusivity and small batch production. Seen as breaking new ground and uncovering a new experience, it's an exciting prospect for this generation, who are likely to announce and share their 'discovery' on Instagram too!

Aside from the connoisseur consumer, it is generally understood that consumers are not aware whether a 'craft' beer is owned by a big brewer or not. If the packaging and flavours align with their expectations, they are mostly oblivious. Brown bottles evoke the nostalgia of artisanship – counter to mass-production; quirky names add personality to the brand narrative connecting back to the craft brewer himself; dynamic adjectives ("powerful" "proper" "wild") and seafaring images connect the consumer to a highly masculine space as do unusual mascot characters that are an embedded part of craft labels. The approach big brewers are using to win back the consumers who desire more bespoke and artisan products isn't unique, and has been seen in other categories. Waterstones for example launched three bookstores 'incognito', designed to look like independents, in response to consumers wanting something more personal, local and anti 'big brand'.[5] Similarly, in 2014, L'Oréal announced the acquisition of one of its fastest growing rivals NYX cosmetics, to enable the company to tap into a much younger consumer base.[6]

Our research clearly demonstrates that it is consumers and their *perceptions* of craft beer which override attempts to settle a definition and thus, you can argue it is fruitless to even attempt to introduce strict guidelines and accreditation about what is and what is not a craft beer. The associated attributes that drive purchase can be signalled just as easily by large manufacturers, whether this be a quirky name, a traditional recipe or a distinct flavour, regardless of whether the recipe is traditional, or the name is part of a super brand family. We must also remember that the beer industry has historically been homogeneous in its offering, and therefore any injection of flavour, packaging or enhanced experience in the sector is extremely exciting, regardless of how these new varieties are defined.

Forcing a definition onto craft beer (which is what most microbreweries desire), will turn the industry back towards box ticking. Instead, companies should focus on combining the attributes we know consumers desire and leveraging these to optimise appeal and purchase. Of course, the largest breweries have the power, money and influence to do this, however, the small microbreweries have the creativity and the ability to innovate at much quicker speeds. The argument of the definition is not 'right' vs. 'wrong' but simply who can deliver against expectations most effectively and delight the consumer.

Figure 1: These logos, all with nautical references, represent a 'gritty history', and including ingredients that 'came from afar' – doubling as the 'character' of the brand narrative.

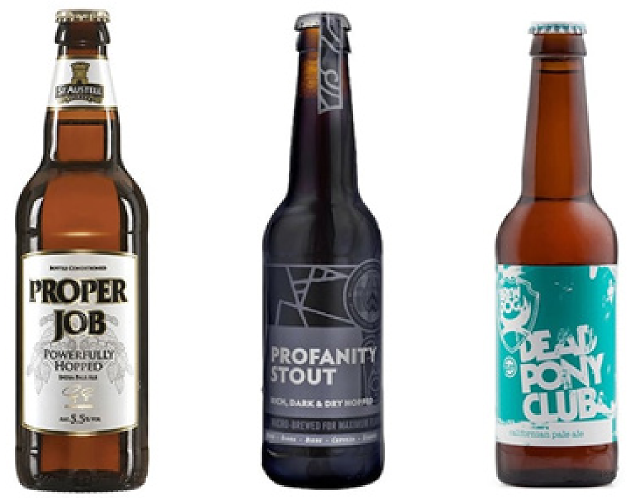
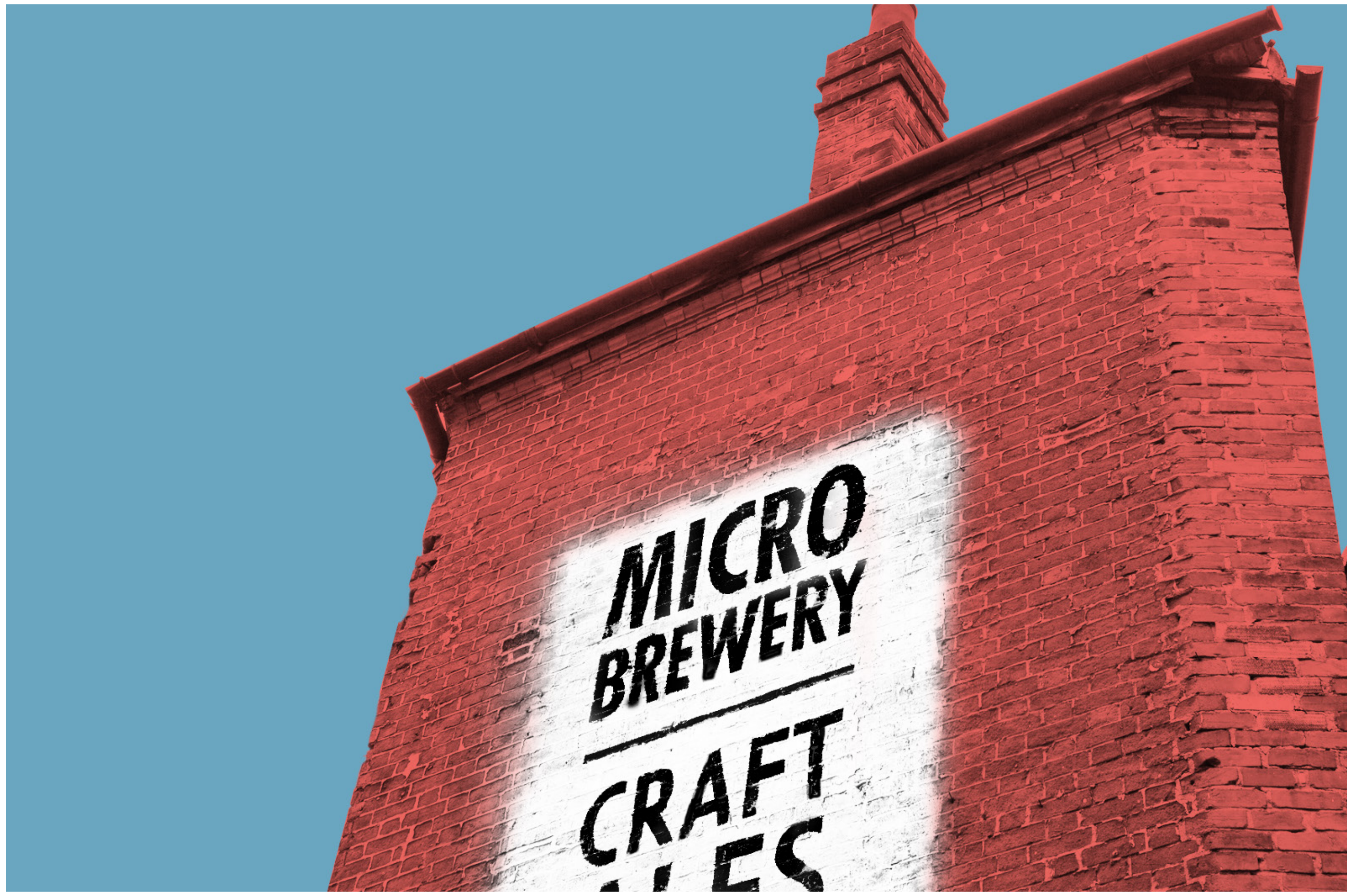


Figure 2: Quirky, edgy names create something illicit about the selection of a craft style beer, which extends to the identity of the consumer, making them feel transgressive and more selective in their choice.



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