The Development of Grassroots Movements and the Influence of Power: A Case Study of Craft Beer

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Wageningen University Department of Social Sciences
Knowledge, Technology, and Innovation (KTI)
MSc Applied Communication Science:

Marco W.W. Nutta
901115611110

CPT-80833

Supervisors:
Laurens Klerkx
Vincenzo Fogliano
Abstract
While there has been much emphasis on various types of food in the slow food movement, one sector that has mostly been ignored is the development of the craft beer movement in the United States. In this thesis I analyzed the development of the craft beer grassroots movement using the Multi-level perspective (MLP) as the mode of analysis. Additionally, I wanted to see what was the role of power in the development of grassroots movements and how it affects the strategies and barriers of niche and regime actors. This was attempted by conducting a qualitative case study relying on semi structured interviews, observations, public/private documents, audio-visual materials, and secondary research. The results indicated that indeed, power played a role in the development of strategies and barriers. However, they also indicated that the level of actor involvement (active vs. passive) dictated the extent to which power was involved. This thesis provides evidence that power should be considered in future discussions on transitions.
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1. Introduction

For the past three decades the slow food movement has been advocating for an emphasis on the pleasure of food, high quality foods, protection of local cuisines and traditions, less intensive food production, and biodiversity (Simonetti, 2012). Initially we saw the growth of slow food in various production systems (cheese, salami, etc.). However, until the last decade one area that has not seen the same growth was beer.

According to Aquilani, Laureti, Poponi, and Secondi (2015) consumer preferences regarding beer are shifting toward finding new tastes and flavors in an ongoing search for quality crafted products. As a result, this search is modifying consumer purchase behavior and product perception. We often see that consumer preference in craft beer is not only determined by personal taste preferences, but also as a form of self-expression (Aquilani et al., 2015; Reid et al., 2014). These consumers are increasingly playing into post-modern marketing strategies of food. As Brunori (2007) states

Post-modern marketing approaches acknowledge that the change brought about by the shift to a post-productive era implies a complete rethink of conventional marketing approaches. In particular, it emphasizes the fact that consumers increasingly define their (unstable) individual identities by belonging to networks, each one providing them with symbolic resources and helping to recombine them. Post-modern marketing relates to the process of individualization/reflexive construction of social links by consumers. Consumption, in this respect, is not only
aimed at satisfying functional needs, but increasingly at satisfying needs that relate to the sphere of social and political relations (p. 8).

For consumers and the millennial consumer cohort in particular, it is not only important that the products they consume be distinctive in quality and taste, but it must also reflect their dynamic individual identity. Moreover, regardless of social identity, consumers who only drink craft beer are more likely to think that it is of higher quality than commercial or macro beer (Aquilani et al., 2015).

As a result of the shift in consumer preferences, American craft brewing has become one of the fastest growing and innovative segments in the Food and Beverage industry (Murray & O’Neill, 2011). As of 2013 there were 2438 craft breweries that produced 15.6 million barrels of beer. Moreover, craft breweries controlled 14.3% market share adding 55.7 billion dollars to the U.S economy and creating around 424,000 jobs (Brewers Association, 2015). However, before the rapid growth of craft beer there were only a few multi-national commercial breweries that controlled the lion’s share of the market. The only choices available for consumers were light, low flavored, globalized products. In contrast, craft beer has brought about the rise of knowledge sharing, local and regional flavors, and community development efforts in their products to demonstrate the distinctive local qualities of their beer (Reid, McLaughlin, & Moore, 2014). What makes this growth particularly interesting is how it has coincided with grassroots and social movements such as slow food.

People and institutions coming from outside a small community, to integrate disciplinary knowledge in specific settings that put local people in charge of collaborative
innovation activities are known as grassroots movements (Smith, Fressoli, & Thomas, 2014). Grassroots innovations work collectively from the bottom up to build new systems that serve the interests of the larger population (Seyfang & Longhurst, 2013) and can take shape in many different forms including cooperatives, voluntary associations, and professionalized not-for-profits (Martin, Upham, & Budd, 2015). They are driven by social needs and are developed in a protective space that offers a different culture and values, often as a response to dissatisfaction with the status quo. By being positioned outside of the mainstream, grassroots innovations open a pathway for radical innovations to mobilize values, organizational structures, and institutional logics that would have otherwise been overlooked (Martin, Upham, & Budd, 2015). Some examples of grassroots movements and their effects on institutional structures include the appropriate technology movement in Latin America (Smith et al., 2014) and the local food program in England (Kirwan, Ilbery, Maye, & Carey, 2013).

Many grassroots innovations are in principle very different, but nevertheless they share similar visions and principles. As such the shared principles of grassroots innovations suggest that all grassroots movements face the same challenges, only differing in context and setting (Smith et al., 2014).

Grassroots innovations enable space for experimentation with new technologies and for knowledge sharing amongst actors. Knowledge produced by grassroots innovations are not only envisioned as resources, and thus can mobilize and be used as power, but also as a way for shaping institutional infrastructures and clearing the way for constructing innovation pathways (Smith et al., 2014). Furthermore, grassroots innovation pushes for institutional change through project replication, and niche initiatives, allowing projects to
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grow, and by linking niche projects to the mainstream (Seyfang & Longhurst, 2013), thus
permitting knowledge production (Smith et al., 2014).

Previously other scholars have used the Multi-Level Perspective or MLP as a tool in
analyzing transitions and institutional change (Elzen, Barbier, Cerf, & Grin, 2012; Smink,
Hekkert, & Negro, 2013; Smith & Raven, 2012; Markard, Raven, & Truffer, 2012).
According to Geels (2002) the MLP focuses on the interaction of actors on three different
socio-technical levels: landscape (macro), regime, which is sometime referred to as the
incumbent system (meso), and niche (micro). System innovation is guided by a process of
interaction between these three levels (Elzen et al., 2012a). Grassroots movements take
place as niches within the framework of the MLP. These so called grassroots movements
also attempt to create niche-regime linkages, change institutional structures, and power
structures, thus, the MLP and grassroots movements lend themselves to be further
investigated.

Given the need for examining the role of power in the MLP, this thesis will describe
and analyze the institutional strategies of new entrants in a power struggle with
incumbents. In other words, we know that the institutional strategies used by incumbents
have been observed by other scholars (Smink et al., 2013; Farla, Markard, Raven, & Coenen,
2012). We also know that these strategies were employed to slow the advancement of
sustainable innovations from new entrants (Farla, Alkemade, & Suurs, 2010). Ultimately
the goal of this thesis is two fold. First is to examine the craft beer movement as a
grassroots social movement and second to contribute to theory on the influence of power
in transition strategy. This will be achieved by conducting a bounded single instrumental
case study of an emerging distribution innovation (partner brewing) in the American beer
industry. Before describing the proposed study in detail, it is important to first examine the related literature to establish a theoretical framework.
2. Theoretical Framework: Power and Strategies

As mentioned previously, one aspect of the MLP that is often overlooked is the role of power. As transitions play out there is an ongoing power struggle between the niche and regime. Friction in the niche and pressure from the landscape can create opportunities for niche actors to create innovative technologies (Ingram, 2015). In the following section the transition process and the influence of power will be discussed.

2.1 The Multi-Level Perspective and Linkages Through Power

In order to analyze and address the complexity of the ongoing transition from a globalized beer production system to a more regional and local system a theoretical framework must be selected. Other studies have used terms such as technological innovation systems (TIS), Strategic Niche Management (SNM), and Transition Management (TM) to describe the process emerging niches (Markard, Raven, & Truffer, 2012; Loorbach & Rotmans, 2010; Elzen et al., 2012a). However for the purposes of this study when addressing we will use the MLP when discussing the interaction of socio-technical levels. The literature in the field supports analyzing socio-technical interaction through the multi-level perspective.

First, at the landscape or macro level structural trends (Geels, 2002), an exogenous environment of broad societal factors (Elzen et al., 2012a), and the surrounding social system (Avelino & Rotmans, 2009) are all present. These broad environmental societal factors put pressure on the regime, which may open a window of opportunity for innovations from other levels to incite a change. In many cases sparking a transition from the landscape level can take a long time.
Next, at the meso level is the regime. In the regime we find groups of actors that share similar routines (Geels, 2002). These groups of actors often aggregate to form the dominant societal system that must work to maintain the status quo (Avelino & Rotmans, 2009). For example Smink et al. (2013) described that in the case of biofuel, the oil industry (the regime) and its actors (institutions, organizations, firms etc.) had been involved in activities aimed in delegitimizing biofuels and maintaining the dominance of oil as a source of energy. The status quo is maintained by structuring the system to develop innovations incrementally rather than radically (Ingram, 2015). Regime actors dictate the rules that guide and constrain other actors that work within the dominant system (Geels, 2002; Elzen et al., 2012a). Regimes are known to be resistant to change and relatively static (Ingram, 2015) and niches often search for market applications, which in turn can initiate a transition process (Elzen et al., 2012a).

At the niche level we find a place where radical innovations are generated and developing novelties are incubated (Geels, 2002). Experts often refer to this incubation as protective space (Smith & Raven, 2012; Hermans, Apeldoorn, Stuiver, & Kok, 2013). In the protective space new technology is developed in which a vision is synthesized, learning and experimentation take place, and social networks develop (Hermans et al., 2013). Many times novelties develop in niches due to pressure from inside the regime or from socio-technical landscape factors (Elzen et al., 2012a). However, Ingram (2015) also notes that niches are often unstable due to internal tensions, non-linearity, and fluidity. Thus, after incremental development of a novelty over time, a novelty or innovation may eventually work its way into a specific market application. Furthermore, as the novelty begins to
compete with dominant technologies, it may eventually take the place of the existing technologies and initiate a transition (Elzen et al., 2012a).

It has also been noted by various scholars (Elzen et al., 2012a; Geels, 2011; Farla et al., 2012) that this perspective, although very useful for retrospective studies, is more problematic in heuristic strategies that seek to contribute to an ongoing transition process. Since we do not know what novelties will be key in developing transitions we must acknowledge that innovation in the making or in action is not as ‘clean’ as other retrospective studies. Additionally, the three levels of the MLP are often described from a hierarchal perspective focusing on linear niche-regime developments (Ingram, 2015).

However, we must remember that the niche-regime networks are dynamic heterogeneous layered entities, with regimes consisting of a complex web of interlinking actors across multiple groups, communities, and components that create dynamic linkages to and between multiple socio-technical layers (Ingram, 2015).

Although the MLP explains what types of actors are present on each socio-technical level, it must also be understood that interaction between and inside these dynamic levels is one of the driving forces behind a system innovation or transition. Elzen et al (2012a) describe these interactions as “the reassembly of the social, technical, and natural world” which should include “heterogeneous practices, collective exploration, and the crossing of organizational and institutional layers through newly emerging networks” (p. 444).

However, it has also been noted that the heterogeneous nature of interactions between socio-technical levels is what makes understanding transitions a challenge, as linkages can be imagined as occurring in a fuzzy overlapping space between socio-technical levels (Ingram, 2015). The implicit need for a redistribution of society calls for heterogeneous
practices, collective exploration of innovative ideas, and crossing the organizational and institutional layers of emerging networks or Anchoring (Elzen et al., 2012a). In order to further examine niche-regime linkages let us now turn our attention to anchoring and the actors that drive the anchoring process.

2.2 Anchoring the Niche and Regime Via Hybrid Actors and Institutional Entrepreneurs

Concerning the creation of linkages between the niche and regime, it is important to first understand that anchoring is essential in pulling the niche and regime together (Elzen, Van Mierlo, Leeuwis, 2012). Anchoring involves both niche and regime actors to create a linkage. As noted by Elzen et al (2012a) niche regimes are initially quite fragile and can be broken or reinforced depending on the direction of linkage forces. However these initially weak linkages can be further strengthened by engaging in a process of learning in which the niche learns about the wants and needs of the regime in order supply them and vice versa (Elzen et al., 2012a).

Anchoring is an important step in creating a network of connections between the niche and the regime, which in turn can cause the niche to emerge. Elzen et al. (2012b) assert that anchoring can be broken down into three categories: technological, network, and institutional. Each type of anchoring is concerned with how niche novelties create linkages with the regime and how the linkage affects the technological, institutional, and network environments at both the niche and regime level. One might wonder, what kinds of actors play a role in anchoring and creating linkages between niches and regimes? Elzen et al. (2012b) observe that anchoring activities often take place in the overlapping space between the niche and the regime known as hybrid forums. In fact they add that those acting in hybrid forums, hybrid actors, are either individuals or organizations that can be
characterized as both an insider and an outsider, (i.e., they are both part of the regime and the niche) and they share common values with individuals in the regime, but they also hold values that are contrary to dominant regime rules. Previous research highlighting the importance of hybrid actors in linking the niche and regime, and have noted that various novelties anchoring in hybrid forums are an important precursor to creating durable niche-regime linkages (Elzen et al., 2012b).

There is evidence that shows that there are individuals who emerge in innovation processes that can lead the way in destroying barriers and promoting innovations through the difficult stages. In literature on the subject both the terms champion and institutional entrepreneur are used to describe these individuals (Klerkx, Aarts, & Leeuwis, 2010; Aldrich, 2012). For the purpose of clarity in this thesis and to prevent overlap institutional entrepreneur will be used.

Institutional entrepreneurs work within an innovation community to promote specific innovations on several different levels, i.e., firm level, value chain level, and policy and innovation support system level (Klerkx & Aarts, 2013). The paths of hybrid actors and institutional entrepreneurs cross when it comes to anchoring niche regime linkages. Both hybrid actors and institutional entrepreneurs work in hybrid forums, which in turn may cause niche-regime linkages. However, the sole purpose of hybrid actor activity is not to form linkages, but to promote their own personal interests. Consequentially, it just so happens that hybrid actor activity often results in niche-regime anchoring (Elzen et al., 2012b).

The capability to create niche-regime linkages through anchoring implies an exercise of power through socio-technical levels. According to Avelino and Rotmans (2009)
the power to influence these linkages is one aspect of the MLP that is often overlooked; yet
the role of power in the MLP is oft implied (Avelino & Wittmayer, 2015). It is commonly
emphasized that the MLP is inherently ‘power-laden’, which is apparent when incumbent
firms use their power to maintain the status quo. Transitions are thus the result of
struggles for power, resource mobilization, and strategy execution between incumbent
regime actors, new niche developers, and overlying landscape pressures.

2.3 Resources as a Source of Power

In this thesis, power is defined as the ability of actors to mobilize resources to
achieve a strategic goal (Avelino & Rotmans, 2009). Resources can be anything that an
actor uses to exert power over other actors, such as persons, assets, materials or capital,
including human, mental, monetary, artifactual, and natural resources (Avelino & Rotmans,
2009). Resources can be used in many different ways for a variety of reasons (i.e., military
power, geopolitical power, economic power, etc.). For instance, ideological power is the
ability of actors to mobilize mental resources to produce knowledge and gain an advantage
over others. Knowledge refers to the mobilization of mental resources in an effort to
achieve a specific goal, which according to the definition is an exercise of power.
Knowledge can influence how other actors mobilize resources, be it monetary or mental, by
communicating said knowledge. However, knowledge diffusion is not a strait forward
process. The framing of knowledge in transitions is key to the success of institutional work.

Framing is essentially about creating legitimacy for new forms of knowledge and
practices and aims to improve the position of institutional entrepreneurs in transition
processes (Pacheco et al., 2010). Knowledge as a resource is directly related to power
through “access to resources, strategies to mobilize them, skills to apply them... ,and
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willingness to do so” (Avelino & Rotmans, 2009, p. 558). The process of knowledge creation in transitions refers to the process of learning through communication and framing. Furthermore, this process of interaction can cause the niche to solidify its connection to the regime, thus, by creating more connections the niche can increase the probability of creating a long-term linkage (Elzen et al., 2012b). However, it must be acknowledged that these resources themselves are innately powerless, but it is only through the action of resource mobilization that they become power laden and in turn support actors and their institutions (Avelino & Rotmans, 2009). Considering that we have broken down the elements that constitute power, the most logical step would be to describe how power is used to incite institutional change.

2.4 Power Dynamics
Institutional change is an issue of conflicting interests and power struggles (Farla et al., 2012). In order to prop up their institutional support structures, actors/firms (Institutional Entrepreneurs) combine resources through various networks, which are then deployed in order to cause institutional change. Using the collective model groups of actors can work to improve joint power in order to reach collective goals (Avelino & Rotmans, 2009). Furthermore, the collective model agrees with the notion that interest groups play an important role in driving institutional change. Pacheco, York, Dean, & Sarasvathy (2010) note that using collective resources offers actors the opportunity to use joint power in an effort to overthrow the regime. Institutional entrepreneurs have the agency, i.e. the resources and competencies, to push for institutional change in pursuit of their personal interests. Indeed, these entrepreneurs act as a vehicle of transformation by
altering/creating norms, property rights, and government legislation (Pacheco, Dean, & Payne, 2010). Empowering individuals is key to causing institutional change, which is done through creating space for resource mobilization and connecting individuals to utilize the power of collective interests (Avelino & Rotmans, 2009). In addition, the resources, skill, and willingness needed to exercise can be obtained actively or passively. For instance one can gather resource by oneself or they can give resources to another individual (Avelino & Rotmans, 2009). One might ponder if this is the only way to work against dominant regime structures. Farla et al. (2012) observe that while collective and resource usage is certainly important, the institutional structures of existing regimes and emerging niches can be considered to be resources themselves, which in turn can be developed by actors and applied to their institutional strategies.

On the contrary, the distributive model (Avelino & Rotmans, 2009) dictates that actors must work against one another, in which power gained for one actor is power lost for another. However, due to the complexity of transitions, actors usually gravitate towards working with others (Farla et al., 2012).

To gain more insight into what power is and how power relates to the socio-technical levels of the MLP, I will now discuss the factors that constitute power. In this thesis we recognize the collective model as being most prominent strategies used by new entrants to combat the incumbent system. At this point, it is important to look at a number of elements of power to more fully understand its complexity.

Avelino and Rotmans (2009) demonstrate that a typology of power exercise can be deduced by observing the various ways that resources can be used to demonstrate power.
Scholars have oft researched how powers and societal actors interact to shape institutional infrastructures (Avelino & Wittmayer, 2015). However, in this study we will be focusing on how power is exercised between actors, as such we follow the framework set forth by Avelino and Rotmans (2009), which dictates that the exercise of power in the context of the MLP can be identified as: Innovative power, destructive power, constitutive power, transformative power, and systemic power. Innovative power and destructive power constitute the creation and destruction of resources, while constitutive, transformative, and systemic power are concerned with the distribution and redistribution of resources and the preservation of the existing societal system. In this study we recognize the five types of power exercise as being central to the framework. This is because in order to better analyze and understand the interaction of power and strategy one must view them through the lens of the five power exercises.

Having unpacked the elements of power, this paper now turns to the second factor of the theoretical framework, incumbent barriers and new entrant strategies.

2.5 Strategy
Strategies require an exercise of power and the mobilization of resources in order to achieve a specific goal. Incumbents are constantly mobilizing resources in order to maintain the dominant institutions. Through a constant process of incumbent actors creating and destroying resources and niche actors causing instability (Avelino & Rotmans, 2009), we see that the role of power is key in understanding the use of strategy in transitions. As such incumbents and new entrant actors both employ a variety of strategies that are aimed at either maintaining or disrupting the status quo (see Table 1 & 2). While incumbents are more concerned with so called “big picture” strategies, new entrants are
more focused on local level strategies that individually have little power, but collectively have more power. Thus as Avelino & Rotmans state “We can redefine transitions management as ...the attainment of resources, strategies, skills and willingness and to influence the willingness of actors to exercise power for a specific goal” (P. 562).

Table 1 Incumbent strategies and their relationship to power

<table>
<thead>
<tr>
<th></th>
<th>Innovative Power</th>
<th>Destructive Power</th>
<th>Constitutive Power</th>
<th>Transformative Power</th>
<th>Systemic Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Political Activities</td>
<td>Yes</td>
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<tr>
<td>Technological Infrastructure</td>
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<td>Physical Infrastructure</td>
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<td>Institutional Infrastructure</td>
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Before a new entrant can design a strategy to counter the efforts of incumbents, one must first designate a target. Commonly, a target can be policy makers, firms, the public, institutional structures, collective expectations, or formal networks (Farla et al., 2012). But it can be difficult to predict what targets are chosen due to the expansive variety of potential targets and the myriad strategies available. It is believed that in most cases actors from within an actor network must reach out to the external environment in order to implement their strategy of attack. Now let us turn our attention toward to strategies and activities used by both incumbents and new entrants in order to out maneuver one another.
2.5.1 Incumbent Strategy

In discussions about power in transitions, one important topic has been the role of incumbents and new entrants in innovation systems. Smink et al. (2013) argue that incumbent firms employ a variety of strategies to deter novelties from developing and threatening the interests of incumbent firms. In doing so, incumbents attempt to prevent the formation of new markets until they are prepared to enter the market with the new technology. More precisely, the incumbents try to delay the spread of innovations until they themselves are ready. The strategies used by incumbents can threaten the development of further innovations and delay transitions. Likewise, it is assumed that new entrants must also employ counter strategies to avoid being marginalized by incumbents. Farla et al. (2012) have emphasized that we must investigate the struggles of actors with conflicting interests and the types of resources that they deploy to better understand the conditions for transitions.

As a side effect of the regime’s tendency to try to remain stable, regime actors will often work to influence the very institutions that dictate the rules of the market or “the rules of the game”. The way in which actors are influenced by the “rules of the game” or institution (known as institutional logics) plays an important role in how norms are shaped and how said actors approach transitions and change. These rules are comprised of formal written rules and informal constraints (Pacheco et al., 2010). Furthermore, society can be broken down into institutional sectors that each create their own values and beliefs that shape actor behavior (Fuenschilling & Truffer, 2014).

Many firms and organizations operate within the confines of their respective institution. Often, actors mobilize resources, devise strategies, and utilize capabilities in
order to support the institutional structures by going beyond R&D, i.e., supporting the system with actor level activities (Kukk, Moors, & Hekkert, 2015). In order to operate in the best interest of the collective beliefs and values of the institution, it is assumed that individuals and groups must devise a set of strategies. Institutional strategies are “The patterns of action that are concerned with managing the institutional structures within which firms compete” (Lawrence, 1999, p. 162, as cited by Smink et al., 2013, p. 89). On one hand, incumbent firms try to sway institutions to create legislation that favors the current status of the regime. This means that the stability of incumbent regimes is brought about by networks of interdependence between policy makers and industry actors. On the other hand, new entrants must also employ a variety of strategies to disrupt regime stability and initiate a transition. As a strategy is the use of resources and power in an effort to reach a goal, then it can be assumed institutional strategies are an implicit use of power. Accordingly, if the stability of institutions is threatened, then actors will fight fiercely via the use of power and strategy to defend the their collective interests (Smink et al., 2013). The enthusiasm for maintaining the incumbent regime is often at the cost of new entrants, making the pathways for new entrants to subject innovations to mainstream market conditions rather dangerous.

As a consequence of the institutional work done by individuals and organizations; we can see that proponents of institutional change have to overcome many barriers to achieve their goals. Smink et al. (2013) note that, based on corporate political activities (CPA), institutional actors often use lobbying, public communication, and standardization as means to support the current institutional environment. These activities aim to influence and sway the public and decision makers to uphold to current “rules of the game”.
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However, Farla et al. (2010) point to technology, physical infrastructure, and institutional infrastructure as the most prominent barriers to transition pathways. Indeed, a view combining both assertions must be considered. The incumbent strategies described by Smink et al. (2013) can be considered to be an extension of the strategies described by Farla et al. (2012), as lobbying, standardization, and public communication are concerned with influencing the institutional infrastructure. Through influencing the institutional infrastructure, incumbents can preserve the status of the dominant regime. Furthermore, incumbents play a large role in transition paths, which through institutional barriers can obstruct entrepreneurs from entering an institutional sector (Farla et al., 2010). Thus, incumbent power and influence in transitions is a testament to their ability to find, create, and mobilize resources to control institutions.

2.5.2 New Entrant Strategy & Transitions

Having just recognized that incumbents can use a multitude of strategies in their ongoing power struggle (see Table 2) to influence institutional structures and create barriers, let us now turn our attention to the specific counter strategies used by new entrants to surpass incumbent barriers.
Table 2 New entrant strategies and their relationship to power

<table>
<thead>
<tr>
<th></th>
<th>Innovative Power</th>
<th>Destructive Power</th>
<th>Constitutive Power</th>
<th>Transformative Power</th>
<th>Systemic Power</th>
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<tr>
<td>Network Coordination</td>
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<td>Yes</td>
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<td>Collective Action</td>
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<td>Clustering</td>
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<td>Framing</td>
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<td>Hybrid Actors</td>
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<td>Yes</td>
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<td>Institutional Entrepreneur</td>
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</table>

2.5.3 Network Coordination, Collective Action, and Clustering

Avelino and Rotmans (2009) emphasize that new entrants touting innovations often cluster together, deviating from the dominant structure, to become more powerful, while incumbents are subsequently weakened until the new entrants finally overtake the incumbent’s position and form the niche-regime. Niche actors often look for chances to exploit destabilization in the regime by generating internal momentum (Ingram, 2015). Indeed, literature on institutional entrepreneurs characterizes as “actors with social skills” in which they are responsible for maintaining a communal identity and discovering ways of aligning the interests of various groups (Pacheco et al., 2010). These actors often take part in innovation networking by shaping alliances, mobilizing resources and organizing support networks and can be part of a collective organization that seeks to change the structures that dictate the direction of institutional change (Klerkx & Aarts, 2013).

When faced with complex societal issues it is common for new entrant firms or actors to work collectively or to coordinate. Through coordination, networks are built and
subsequently stabilized so collective efforts can align through a central coordinated organization that manages interactions and pushes for further expansion (Hermans et al., 2013). Collective action and coordination highlight the importance of interest groups and collective exercises of power in shaping institutional change (Pacheco et al., 2010). Collective action is key in the development and evolution of social networks and structures, with interaction being nucleus of social innovations (Kirwan et al., 2013). Likewise, it has also been suggested that geographic proximity to similar competitors can lead to improved performance (Baum & Haveman, 1997, as cited by Enz, Canina, & Palacios-Marques, 2011) or in our case it can result in collective power that can be used to influence institutions. What this boils down to is small, less complex actors who enter a geographic cluster may experience performance spillover from close proximity to other high performing firms (Enz et al., 2011). Essentially, by clustering together, actors can effectively change the institutional environment and in turn promote their collective visions and interests. Essentially, actors cluster together to reduce uncertainty, however it must be noted that regardless actors are always bounded by the influence of the dominant institutional environment (Klerkx et al., 2010).

2.5.4 Framing

As mentioned previously, the framing of knowledge in transitions is key to the success of institutional work. Framing is about creating legitimacy for new the visions and practices and of institutional entrepreneurs in transition processes. In this process entrepreneurs try to depict their ideal institutional arrangement as being the most appropriate in order to appeal to the widest audience (Pacheco et al., 2010). Framing activities are often comprised of discourses and stories that take place in either the niche
or regime levels. Discourses can skillfully shift the attention from individuals to entrepreneurial coalitions (Zilber, 2007). Institutional entrepreneurs need to manage the meaning of their actions, which is done through framing. Thus, in order to be successful entrepreneurs can influence their institutional environment by framing discourse in legislation and to the public (Zilber, 2007).

Having unpacked the theoretical framework of power, resources, and strategies in the transition process we can now turn our attention to the methods used in this study followed by the background and history of the case.
3. Background of Case: Craft Beer & Transition in the USA

As mentioned previously, American craft brewing is considered to be one of the fastest growing markets in the Food and Beverage industry (Murray & O’Neill, 2011). The brewers association (2014) dictates that craft beer is small, independent, and traditional. Craft breweries cannot brew more than 6 million barrels of beer, less than 25% should be owned or controlled by a member of the alcoholic beverage industry that does not produce craft beer, and a brewer must provide the flavor of their beers from traditional or innovative brewing methods. The reason for defining craft beer is two fold. First craft brewers wanted to find a way to differentiate their products from those of large commercial breweries. Secondly by defining craft beer, the Brewers Association and other associations have a set of boundaries when providing statistics on the state of the craft beer segment (Brewers Association, 2016). Conversely, beer produced in large production facilities and does not meet these criteria, such as production more than 6 million barrels of beer annually, is not considered to be craft beer and is sometimes referred to as macro beer. From 1978 to 2014 the US brewing industry has grown from 89 to 3,464 breweries. This translates to 19.6 billion dollars or 11% market share (Brewers Association, 2014). Although the growth of beer in the last few decades is astounding, it has not always been the case.

3.1 The History of Beer in the United States

Famously, on January 17, 1920 the Volstead Act was enacted to enforce the 18th amendment, also known as prohibition, which prohibited “the manufacture, sale, or transportation of intoxicating liquors within, the importation thereof into, or the
exportation thereof from the United States” (U.S. Constitutional Amendment XVIII, repealed 1933). One of the main causes of the ratification of the 18th amendment was the so-called “tied house abuses.” Tied houses were pubs owned and operated by the breweries themselves. Many people attributed irresponsible drinking behavior to the tied houses, so the temperance movement was created as a response (ABDI, n.d.).

During prohibition many breweries had to switch to produce different products such as cheese and “near beer”. On December 5th, 1933 the 18th amendment was repealed with the 21st amendment. Unfortunately, by the time the 18th amendment was repealed many of the breweries that had existed before had gone bankrupt. As a result breweries were never able to recover to pre-prohibition levels. The decades that followed were marked by aggressive consolidation by large breweries, until the 1970s when there were only 89 breweries (Brewers Association, 2014) in the United States.

In 1978 President Jimmy Carter signed into law H.R.1337, which was an act to amend the internal revenue code of 1954. In this amendment it “Allow[ed] any adult (formerly only heads of families) to produce wine and beer for personal and family use and not for sale without incurring the wine or beer excise taxes or any penalties for quantities per calendar year of: (1) 200 gallons if there are two or more adults in the household and (2) 100 gallons if there is only one adult in the household” (US Congress, 1978). To put it succinctly, this law allowed households to begin brewing beer at home.

Following the relaxation of regulations on home beer production we began to see the sudden rise in the number of breweries in the United States. The transition towards craft beer was started because people were dissatisfied with the macro-brews of the time (Wesson & De Figueirdo, 2001; Measom, personal communication, July 7th, 2015).
THE DEVELOPMENT OF GRASSROOTS MOVEMENTS AND THE INFLUENCE OF POWER: A CASE STUDY OF CRAFT BEER

Consequently, many people began experimenting with new ingredients and techniques. It is from these experiments that many home brewers developed new novelties. Many craft brewers started out making beer at home and eventually made the decision to do their hobby professionally (Reid et al., 2014). As recently as 2014 there were 456 microbreweries and 159 brewpub (small breweries that prepare food) openings (Brewers Association, 2014). The success of the craft beer movement can be partially attributed to how homebrewers and subsequently millennials have become increasingly interested in food transitions or in this case beer transitions.

3.2 Sensory Attributes and the Craft Beer Movement

The craft beer movement has strongly resonated with the millennial demographic, which is attracted to it because of its diversity of styles and flavors. For Millennials, craft beer has effectively become a social marker and symbol of self-definition (Reid et al, 2014). As such we have seen many craft brewers play into the wants and needs of the typical craft beer drinker. As can be seen in Tables 3 and 4, craft beers typically utilize a wider range of malts, hops, alcohol %, and techniques than larger macro brews use. Table 2 shows the three popular styles of commercial macro beer and their typical style attributes, as described by the Beer Judge Certification Program (BJCP). In Table 3, the typical craft beers styles brewed in the United States are presented. Similarly, the sensory attributes, as defined by the BJCP, are listed. These more distinctive quality attributes in turn create products with stronger and more prominent flavors and aromas. It also must be noted that Macro beer is generally filtered and pasteurized, while craft beer is not. Moreover, 69% of beer drinkers who have tried craft beer have perceived it to be of higher quality (Aquilani et al., 2015).
<table>
<thead>
<tr>
<th>Style</th>
<th>American Light Lager</th>
<th>Standard American Lager</th>
<th>Premium American Lager</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aroma</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malt</td>
<td>Little to no</td>
<td>Little to no</td>
<td>Low to med low</td>
</tr>
<tr>
<td>Hops</td>
<td>Little to no</td>
<td>None to light spicy or floral</td>
<td>Very low to med low spicy or floral</td>
</tr>
<tr>
<td>Yeast</td>
<td>Little to no</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Other</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Appearance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Color</td>
<td>Pale straw to pale yellow</td>
<td>Pale straw to med yellow</td>
<td>Pale straw to gold</td>
</tr>
<tr>
<td>Clarity</td>
<td>Very clear</td>
<td>Very Clear</td>
<td>Very clear</td>
</tr>
<tr>
<td><strong>Flavor</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malt</td>
<td>Low graininess and corn</td>
<td>Low graininess and corn-like</td>
<td>Low grainy or malt sweetness</td>
</tr>
<tr>
<td>Hops</td>
<td>Low to none</td>
<td>None to low</td>
<td>Low to med</td>
</tr>
<tr>
<td>Yeast</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Other</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td><strong>Mouth feel</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Body</td>
<td>Very light</td>
<td>Light body</td>
<td>Med-light</td>
</tr>
<tr>
<td>Carbonation</td>
<td>Very high</td>
<td>Very high</td>
<td>Very high</td>
</tr>
<tr>
<td><strong>Ingredients</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grains</td>
<td>Barley, corn, rice</td>
<td>Barley, corn, rice</td>
<td>Barley, corn, rice</td>
</tr>
<tr>
<td>Hops</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yeast</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABV%</td>
<td>2.8 to 4.2%</td>
<td>4.2 to 5.3%</td>
<td>4.6 to 6%</td>
</tr>
<tr>
<td><strong>Examples</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bud light, Miller lite</td>
<td>Pabst blue ribbon, Coors original</td>
<td>Miller genuine draft, Corona Extra</td>
</tr>
</tbody>
</table>
### Table 4 Craft beer sensory attributes (BJCP, 2015)

<table>
<thead>
<tr>
<th>Style</th>
<th>American Pale Ale</th>
<th>American Amber Ale</th>
<th>American India Pale Ale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aroma</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malt</td>
<td>Low to Mod (bready, Biscuit)</td>
<td>Mod low to mod high malt (caramel)</td>
<td>Mod to low</td>
</tr>
<tr>
<td>Hops</td>
<td>Mod to strong (citrus)</td>
<td>Low to mod (citrus)</td>
<td>Intense, very High - citrus, floral, perfume- like, resinous, piney</td>
</tr>
<tr>
<td>Yeast</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Fruity esters: mod to none</td>
<td>Esters: mod to none</td>
<td>Esters: mod to none</td>
</tr>
<tr>
<td><strong>Appearance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Color</td>
<td>Pale gold to deep amber</td>
<td>Amber to copper brown</td>
<td>Med gold to med red copper</td>
</tr>
<tr>
<td>Clarity</td>
<td>Clear to slightly hazy</td>
<td>Clear to slightly hazy</td>
<td>Clear to mildly hazy</td>
</tr>
<tr>
<td><strong>Flavor</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malt</td>
<td>Low to moderately high (bready, toasty)</td>
<td>Mod to strong malt</td>
<td>Low to med (caramel, toasty)</td>
</tr>
<tr>
<td>Hops</td>
<td>Mod to high (citrus)</td>
<td>Mod to high</td>
<td>Med to high flavor and bitterness citrus pine resin floral</td>
</tr>
<tr>
<td>Yeast</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Caramel, fruity ester</td>
<td>Caramel sweetness, fruity esters</td>
<td>Slightly sulfur, alcohol, lingering bitterness</td>
</tr>
<tr>
<td><strong>Mouth feel</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Body</td>
<td>Med light to med</td>
<td>Med to med full</td>
<td>Med light to med - alcohol warmth</td>
</tr>
<tr>
<td>Carbonation</td>
<td>Mod to high</td>
<td>Mod to high</td>
<td>Med to high</td>
</tr>
<tr>
<td><strong>Ingredients</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grains</td>
<td>2 row barley, pale ale malt</td>
<td>Pale malt, med to dark crystal</td>
<td>Pale ale malt,</td>
</tr>
<tr>
<td>Hops</td>
<td>American hops - often citrus like</td>
<td>American hops- citrus character</td>
<td>American hops</td>
</tr>
<tr>
<td>Yeast</td>
<td></td>
<td></td>
<td>American yeast</td>
</tr>
<tr>
<td>ABV%</td>
<td>4.5 to 6.2%</td>
<td>4.5 to 6.2%</td>
<td>5.5 to 7.5%</td>
</tr>
<tr>
<td><strong>Examples</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stone pale ale</td>
<td>Anderson Valley Boont Amber Ale</td>
<td>Bell's two-hearted ale</td>
</tr>
</tbody>
</table>
Craft beer can also be linked to the neolocalism movement in which people are demanding goods and services that are connected to the local and regional area. Craft beer can be viewed as a social movement involving millennials and their dissatisfaction with their ‘dad’s beer’ (Reid et al., 2014). Many social movement organizations have been formed in order to push the ideologies of craft beer, such as the brewer’s institute and the brewers association. Furthermore, Pacheco and Dean (2015) argue that social movement organizations (SMO) can seek change by appealing to government officials. Often, these SMOs target corporations directly, by protesting etc., to influence the behavior of incumbent firms. However, even with the strong interest in causing a systemic transition in beer, the distribution system has essentially stayed the same.

3.3 Market description

Within the parameters of the 21st amendment, states are allowed to regulate the production, distribution, and sales of alcoholic beverages, of which the majority of states, 31 to be exact, chose to follow a competitive model or 3-tier system (Florida Beer Wholesalers Association, n.d.). The three-tier system (see Figure 1) separates the producer and the retailer to avoid revisiting the problems associated with tied houses. Consequently, between the producer and retailer is a wholesaler or distributor, which, in turn, creates tax revenue for the government.
The big question with this three-tier system is who controls access to the distribution chain. On one hand the National Beer Wholesalers Association or NBWA purports that all distributors are independent and thus protect retailers from the influence of the producers. Moreover, through various franchising laws producers cannot pull their products from distributors as a power ploy. On the other hand Anheuser-Busch often celebrates the fact that they own and operate over a dozen distributors. They also hold exclusive distribution contracts with over 500 other independent distributors. Furthermore, Anheuser-Busch holds some level of ownership in at least half dozen craft breweries.

Although one might agree with the NBWA that independent distributors are good for brewers and benefit consumers, it is difficult to accept the contention that all distributors are entirely independent. Accordingly, it is becoming ever more difficult for small brewers and upstarts to have their products distributed.

Common sense indicates that small breweries can only produce and ship small amounts of beer. In recent years the demand for small production or craft beer has risen
substantially. Murray and O’Neill (2011) point out that “the Brewers Association report shows that in the first two quarters of 2010 overall beer consumption fell by 2.7 percent, with domestic brands down 2.9 percent and imports down 9 percent. Craft beer sales by contrast increased 9 percent by volume and over 12 percent by revenue” (p. 901). This bodes well for a niche industry with daunting challenges such as competing for market share in an industry dominated by powerful incumbents.

As with any other industry, incumbent firms in a regime are reluctant to change because they favor stability (Smink et al., 2013). The challenge of competing with incumbent breweries can be met by finding innovative offerings within the value chain. One case that can provide insight into how new entrants breweries can compete and counter incumbent breweries is that of the Brew Hub in Florida.

3.4 The Case Study

As mentioned by Snider (2015) in a USA Today article, many small breweries have a limited production. In the case of Toppling Goliath Brewing Co., only 3,200 barrels of beer are produced per year and the distribution is limited to the brewery’s surrounding areas. With their partnership with the Brew Hub, Toppling Goliath Brewing Co. can now add another 15,000 barrels of beer to their annual production through a method known as partner brewing. Partner brewing is not just an addition of output, but it is a unique process that allows brewers to reach more consumers. “Partner brewing is a process that allows craft brewers to not only brew their beer to the exact specifications under the supervision of their own Brew master, but also to package and distribute from the Brew Hub brewery and make their beer available for export to national and international markets” (Brew Hub, n.d.). In essence the Brew Hub is a brewer, a retailer, and a business
partner. Their business model and this comprehensive system allows small brewers to compete with larger breweries without making the capital investment required to increase output and distribution. Furthermore, the Brew Hub plans to open a 5-hub network, which will allow breweries from all over the United States to reach new markets.

Figure 2: The brew hub's role in the three-tier system

The Florida beer industry, according to the brewers association (2014), contributes 2 billion, 56 million dollars to the state economy through 111 craft breweries which produce 1,128,089 barrels (5th in USA) of beer or 2.4 gallons of beer per adult (21 or older). Normally, within this system stakeholders with the most power also have the most influence on the system. For instance large producers (incumbents) can influence distributors and retailers with the various strategies discussed previously. Furthermore, large producers promote their interests by interacting with government (lobbying) and with the public (public communication). Thus, as can be seen in Figure 2, small producers can work with the Brew Hub’s partner brewing system to get around the mechanisms that
sustain the regime. Using their partner brewing system, small producers can oversee the entire brewing, packaging, and the distribution process. This model allows small producers who are limited economically or geographically to reach new markets with lower overhead costs (Brew Hub, n.d).

The Brew Hub is located parallel to Florida’s Interstate 4. Interstate 4 is the major transportation corridor that connects Tampa on the west coast, Orlando in the center, and Daytona on the east coast with the Brew Hub’s location in Lakeland about 30 miles east of Tampa. This location is ideal in terms of distribution and for geographic clustering. As one can see in Figure 3 the Brew Hub (Red Star) is located near several craft brewing clusters, additionally it is located in a close proximity to the top four metropolitan areas with populations ranging from 6 million to 1.5 million (United States Census Bureau, 2014). Furthermore, the Brew Hub facility is located directly next to a Pepsi Co shipping center and other companies in an industrial zone in Lakeland. With the growing craft beer industry and the growing Florida population, this location is in a prime position to capitalize on the fast expansion in the area.
The study began approximately one year after the establishment of the Brew Hub. My arrival occurred one week after the one-year anniversary festival, which was named the Harbinger Fest. The Harbinger Fest was used as an opportunity for the Brew Hub to reach out to locals and businesses from the surrounding areas.

Once I arrived at the Brew Hub I was taken on a tour of the brew house, the packaging facility, and the tasting room. At the main entrance of the Brew Hub one can find
the tasting room, where locals can taste and experience the products of the facility and their partners. On the back wall behind the bar there is an electronic rotating tap list that can also be viewed on a mobile device with the Brew Hub app, surrounding the rotating tap list are the logos of all the partner brewers. Inside the tasting room there are places to sit and drink and eat. Through several large windows in the back of the tasting room the brew house is clearly visible to all visitors. In the brew house there are 15 large 100-barrel to 300-barrel automated brew systems as well as a 10-barrel pilot brew system. Next to the pilot brew system there are several large wooden barrels used for aging beers. Connected to the brew house is the QC lab where test samples are taken to see if they are up to the quality standards in several categories. On the backside of the QC lab is the packaging center where there are several bright tanks, a canning line, a bottle line, and a kegging line. Once the product is packaged it is put onto pallets and moved to a large refrigerated storage room. The product is kept in the refrigerated storage room until the distributor picks it up.

Having discussed the expected new entrant strategies, the context of the beer industry to which they apply, and the Brew Hub itself, I will now discuss the methodologies that were used for the data collection in the case study. Following the methodologies, I will describe the results, finishing with the discussion and conclusion.
4. Methodology

As mentioned in the introduction, the intent of this thesis is to observe and understand the counter strategies of new entrants and analyze what effect these counter strategies have on the ongoing power struggle. The context for my analysis of this phenomenon is the American beer production system. In order to examine the counter strategies and power struggle, the questions I attempted to answer with my research are: (1) how do new entrants perceive the regime? (2) What are the counter strategies of new entrants? And (3) what role does power play in this process? In the American brewing system we see a group of incumbents that have long maintained the status quo, but are as of recently facing pressure to change from niche actors. The barriers of entry have been outlined by scholars of business (Porter, 1998; Christensen, 2011), but the issue of how new entrants handle barriers from a social movement perspective has not been fully explored. In this study I aim to address this issue by borrowing from both perspectives. The most appropriate way to answer these questions is to explore a real-life, bounded system though detailed data collection from multiple sources (Creswell, 2013), also known as a case study. From the analysis, this study reports a case description and case themes.

The case being analyzed is that of the Brew Hub (from 2014 to present), a beer production and retail center, to see what kinds of strategies are used to overcome incumbent barriers. As mentioned previously this case drew on multiple sources of data in order to provide a sound analysis. As suggested by Creswell (2013) this thesis relies on nonparticipant semi-structured interviews, observations, private and public documents,
and audiovisual materials as the main sources of data. Furthermore, the sampling strategies used reflect theory based and snowball data collection methods.

In the interviews the researcher probed the interviewees about phenomena relating to the research question of this thesis. The interviews were audio recorded, transcribed, and coded. During the interviews 7, managers (Business manager, Plant manager, Lead Brewer, Packaging Manager, Operations manager/ Brewery engineer, Cellar Manager, and General manager) from the Brew Hub were probed about a variety of issues relating to the thesis questions.

The job duties of the business manager are to communicate with supplies, brewing partners, wholesalers, and the general public. The Business manager is also required to coordinate all supply chain information, report all accounting and financial information, manage the supply chain, execute all HR functions, and coordinate with the Plant manager and Head brewer. The Plant manager oversees all functions of the brewing facility, is the primary contact between the Brew Hub in Lakeland and headquarters, executes HR functions, evaluates all production operations, and ensures that all functions are completed in compliance with policies and standards. The Head brewer works with the Business Manager and Plant Manager to review and develop operation plans, communicate brewing operation plans with employees, execute brewing operations plans in a timely manner, oversee production, produce each beer according to production schedule, efficiency, and QA standards, review production information, and do so within company policies and standards. The packaging manager must interact with other technicians and employees to collect, test, capture, and analyze packaging quality assurance information. The packaging manager must also maintain a sample library along with knowledge pertaining to material
supplier design and Brew Hub QA standards, report on the quality of random samples, respond to consumer complaints, all within company policies and standards. The duties and functions of the Cellar Manager are to work with Head Brewer, QA/QC technical and packaging to consistently transfer, ferment, and finish beer styles in accordance with production schedule, QA, and sensory targets. Furthermore the Cellar manager must maintain all tanks and equipment, oversee and execute all equipment and production adjustments, and do so within all company policies and standards. Finally the General Manager’s duties are to be the one of the main lines of communication between the Brew Hub and all brewing partners, to be the Brew Hub brand ambassador, attend beer and brewing events, plan events at the Brew Hub, coordinate with plant and business managers, train and hire all taste masters, maintain and run the tasting room, and ensure that all products being served are in compliance with all laws and policies.

The interviews averaged about 30 minutes each and contained anywhere from 15 to 25 questions. Three interviewees were selected by the researcher due to their knowledge of the facility and the brewing industry, while the other four respondents were recommended by previous interviewees. In order to protect the privacy of all respondents, they are identified in the interviews by position, and specific names of other people used by interviewees have been changed. All interviews took place in a conference room in the brewery’s tasting room.

Observation is the process of noting a phenomenon in a field setting through the senses of the observer for scientific purposes (Angrosino, 2007, as cited by Creswell, 2013). The type of observations used in this thesis was nonparticipant observations as the researcher is an outsider to the group and thus reports on phenomena from a distance.
During the tour of the facility I was not able to photograph some of the machinery due to privacy concerns for the partner brewers. However, I was able to take some observational notes on the brew house and the tasting room. As such, in this process I selected the Brew Hub facility in Lakeland as the site to be observed and I gained access through contacting the Business Manager through email. At the site I chose to observe the employees of the facility in the back of house (brewery and packaging operations) and front of house (the tasting room). As an observer I determined that it was most appropriate to be a non-participant observer because my participation would only obstruct what employees can do due to my lack of expertise in commercial brewing. Once my role was selected I recorded various aspects such as vignettes of informants, locations, activities, situations, events, and my own reactions (Creswell, 2013). During my observations the Business Manager introduced me to all informants because of my status as an outsider.

Finally, documents (memos and records) and audiovisual materials (examining web pages or ritual objects) were examined during the course of this study. The main sources of audiovisual material were acquired though the facility’s website. Through the website I was able read more deeply about how partner brewing works, the history of the Brew Hub, and what services are offered in order to gain a richer understanding of the case. The website features information about the leadership of the Brew Hub, which provided this study with insight into how the Brew Hub interacts with regime actors. Also the website provided information about the size, location, equipment, capacity, and access to the facility. In addition, the website offered information about the facility, products, services, and business model of the Brew Hub. Information about the products being sold at the Brew Hub was gathered through the Brew Hub app, which provided real time information
about which beers are on tap, what food options are on the menu, and the event calendar. Information about new partnerships and projects was gathered through news articles posted on the website. Moreover, information about events, business milestones, and articles about the Florida beer industry were collected through the Brew Hub’s social media outlets (i.e. Facebook & Twitter).

The first step was to devise a research protocol in which it was made explicit what the role of the researcher would be in the study. From the protocol I conducted data through various sources and aggregated and analyzed the information. Through conducting a detailed analysis of the interviews it became apparent that the many codes could be narrowed into four main themes: (1) New Entrant Perception of Incumbent Actors (2) Incumbent Barriers (3) New Entrant Strategy (4) Expansion, Power, & Shifting Preferences. The resultant themes relied on a multitude of sources with the primary source being semi-structured interviews. Although the interviews yielded many insights into the strategies of New Entrants, I must concede that some may argue that seven interviews cannot fully represent a phenomenon. However, due to the relatively small size of the facility and the uniqueness of the case, it can be argued that the number of interviews is appropriate as long as it is accompanied by a diverse set of data sources.
From the data collected, all textual and visual data were divided into smaller categories of information, from which the categories were labeled and organized and coded (Creswell, 2013). The collected data yielded 28 codes, which were derived using an emergent coding system. Furthermore, code names were created using a mixture of in vivo code names as names derived from the literature. From coding and classifying the data, several themes were derived. Themes are units of coded information that when aggregated form a common idea (Creswell, 2013). The themes used in this study were derived through looking for common occurrences throughout the data and grouping them into a themed category. To arrive at the aforementioned themes I first analyzed the interview transcripts, then I moved on to analyze my observation notes through my detailed descriptions, finally the audio-visual materials were analyzed for common themes. Thus, the themes were derived by using the interviews as the primary source of information, followed by field observations, and audiovisual materials (Table 5).
5. Results
As discussed previously, the three themes that were deduced from the data are: new entrant perception of regime incumbents, incumbents and institutional barriers, new entrant strategy and entrepreneurship, and growth and expansion. The themes will be discussed in the following sections.

5.1 Event Analysis
The idea of the Brew Hub was first conceived (see fig. 4) by a former Anheuser-Busch executive as a way to address the problem of supply for the expanding craft brewing industry and as a better way to work with brewers who contract their recipes out to contract brewing facilities. With craft brewers growing rapidly, they often couldn’t meet demand quickly enough and at a high enough level of quality due to their own infrastructure. In order to meet the expanding needs of the craft brewing industry, the brew hub was created.
Figure 4: Timeline of important events

From the time of founding the Brew Hub up until construction of the first facility, the CEO and his team were tasked with meeting governmental local regulations such as TTB and OSHA. Additionally, they had to find the right location to build the first facility that would be appropriate for a 64,000 square foot facility with 100-barrel brew house, and 75,000-barrel capacity. After searching a few locations Florida was eventually chosen because as the Brew Hub states

Craft beer is growing in Florida, and the Southeast in general, at a faster rate than anywhere else in the country. Florida specifically is the fourth most populous state in the country and, with craft beer growing at current rates, wholesalers and retailers in Florida literally can’t get access to enough craft beer to meet the demand. That’s why Florida was the ideal location for our first brewery (Brew
Having chosen a state and location the Brew Hub began construction in Lakeland in 2013. From the beginning of construction until the facility was finished the goal was to find craft brewers that were at the proper point where their production could no longer meet demand and were searching to expand to other markets. From 2013 to late 2014, when the facility was completed, they were able to secure 4 contracts with craft brewers (Cigar City Brewing Co., BJ’s Brew House, Orange Blossom Brewing Co., Green Man Brewing Co.). For Cigar City the choice to start producing beer at the Brew Hub was not only about increasing production, but also about having more control over their recipes.

Following the opening of the Brew Hub they were also able to obtain brewing commitments with Golf brewing Co. (in 2014), Toppling Goliath Brewing Co. (in 2015), JDub Brewing Co. (in 2015), and M.I.A. Brewing Co. (in 2015). Meanwhile, in the same time period, the Brew Hub began the development of a second facility in the city of the headquarters, in Chesterfield Missouri. However, since the announcement of the planned construction of the Chesterfield facility, they had run into some problems that have pushed the completion date back from 2016 to 2017. Similarly, the initial facility in Lakeland was delayed due to going over budget. Furthermore, the plans of securing land for a third facility in the Northeast have fallen through due to costs and redesigns. The Brew Hub is even considering building a facility in the North East through acquisition of an existing one. Regardless, the CEO has stated that an acquisition or merger is definitely going to play a role in their strategy going forward and may be involved in reaching their goal of five facilities by 2018.
In its current form, the Brew Hub has been successful according to the CEO. Even with the setbacks they have faced with budgeting and finding locations, they are going ahead with a plan to expand the original Lakeland facility. The planned expansion of the facility will increase production to a projected 100,000 barrels per year.

5.2 New Entrant Perception of Incumbent Actors

Regime actor resistance of new entrants has been discussed in great detail in transition and competitive strategy literature (Smink et al., 2013; Geels, 2014; Christensen, 2011; Porter, 1998). As mentioned previously, the incumbent regime consists of groups of actors that aggregate to form the dominant societal system that must work to maintain the status quo (Avelino & Rotmans, 2009). This case study focuses on how new entrants react to incumbent barriers. From the inception of the Brew Hub in 2012 until its current state, it was clear that the actions of incumbent actors played a role in how individuals working in the craft beer niche perceived the regime. Even before the Brew Hub was created, there was growing negativity amongst craft brewers towards the big breweries. In my interactions with respondents at the Brew Hub, many perceived incumbent activity as being concerning. One respondent expressed his concern with the strategies of incumbents when stating:

It’s amazing to see these big ABInbev and Miller-Coors mergers happening, that does make me concerned because then you could have just one large massive beer corporation. They’re trying to play the craft game and are gobbling up smaller craft breweries and I think that its unfortunate in a sense that it’s great for the craft breweries because they’re able to make a ton of money and sell out, but I feel
that there is almost a divide happening amongst craft brewers because they’re “selling out”

The respondent specifically addresses the issue of the planned merger between ABIInbev and SAB-Miller, which in turn would create the world’s largest beverage corporation. Many are concerned with the systematic buying up of craft breweries, which is forcing many craft brewers to “sell out”. The tendency for grassroots movements, such as with craft beer, to become increasingly commercial as they grow (Martin et al., 2015) is demonstrated through the increase in acquisitions and “sell outs” as the craft beer movement has grown. The concern for big brewers buying up smaller breweries was also mentioned by three other respondents and through various news sources, in which many felt that this is a major issue for craft brewing.

In the time leading up to the case and afterwards, many news sources reported that InBev had been acquiring craft breweries at a very high rate. By acquiring craft brewers, incumbent actors are essentially purchasing the unique capabilities and credibility of the craft beer grassroots movement through the exercise of their financial power. The latest breweries to be acquired by InBev were Four Peaks Brewing Co., Camden Town Brewery, and Brekenridge Brewery all in late 2015. These acquisitions follow the purchases of Goose Island Brewing Co. (2011), Blue Point Brewery (2014), 10 Barrel Brewing Co. (2014), Elysian Brewing CO. (2015), Golden Road Brewing Co. (2015), and a 30% stake in the Craft Brewer’s Alliance (2013), which is the umbrella organization of Widmer Brothers brewing, Redhook Brewing, and Kona Brewing. InBev’s acquisitions have caused other brewers to worry that they will use their “distributional leverage and buying power to
squeeze out smaller brewers”. In essence, InBev was using the power of their size and finances to actively prevent new entrants from entering and potentially changing the market. For example Reuters reported in 2015 that InBev was trying to curb craft beer’s access to distribution by purchasing distributors and requiring them to only carry ABInbev products resulting in the brewery being probed by the department of justice (Bartz, 2015).

The concern for InBev’s exercise of power was also well represented by the respondents in the interviews. One respondent stated that incumbents are “gangsters and bullies” and went on to mention how incumbents have tried to “cripple growth” through purchasing other craft breweries and attempts to control the distribution channels. This reflects the general negative attitude towards the incumbents and their business practices. When probed about their perception of incumbents another respondent stated, “Do I have to say them out loud? Well since Budweiser bought everyone how about stop there and just say Budweiser”. Furthermore, even consumers have been vocal about the proposed deal. It was reported in Dec 2015 that 23 consumers from Oregon, California, and Washington have filed a lawsuit against InBev and their proposed merger with SabMiller stating that the merger would raise prices and lower the quality of beer. From the news regarding the merger and comments from management and the staff, it is clear that many are worried that the merger will cause the incumbents to limit consumer choices.

Although a large portion of respondents felt negatively about incumbents, they did however show mutual respect for their achievements as a company and as brewers. Usually when discussing incumbents, respondents commented on their quality, consistency, volume, and success. For instance one respondent expressed this by stating:
Well as far as AB and Miller-Coors, they're fabulously good at their job. They're massively beercratic, they're just moneymakers. As far as their beer, I mean if you like that style, the quality is top notch. You can't beat it because they spend millions of dollars on making a quality product, whether or not you like the taste is another point.

When compared to the Brew Hub, incumbent actors such as InBev have been operating much longer. One of the results of their longevity is the accumulation of technological resources over time, which has thus been mobilized as an exercise of power. The use of technological power has allowed incumbents such as InBev to separate themselves from new entrants through the technical quality of their products, which is difficult for new entrants to achieve. Referring to the timeline, organizationally the Brew Hub has only existed since 2012 and physically since their Lakeland facility opened in 2014. In contrast Anheuser-Busch has existed since 1852, operates around the world, and produced net revenue of 8.5 billion dollars in 2011.

What this boils down to is respect for the incumbent and the quality and success of their products. However, it was understood that the respect was not entirely mutual, as one respondent mentioned that incumbents used to poke fun at the new entrants due to issues of quality and consistency. Furthermore, the past two years (2015 and 2016) Anheuser-Busch has released a pair of advertisement that criticized the craft beer movement and its followers. This has in turn caused public outcry from both consumers and craft brewers alike. With their regime competitor Miller-Coors condemning the advertisements by stating “We believe each and every style of beer is worth fussing over. Quality isn't something that
belongs to a single style of beer or a single brewer”. Many found these advertisements to be hypocritical because of how quickly InBev has been acquiring craft breweries. In sum, due to its size, InBev does indeed receive the lion's share of criticism from niche actors and other regime actors. Furthermore, InBev’s barrier setting activities has generally caused consumers of craft beer and craft brewers to view them negatively.

5.3 Barriers Propelled by Incumbents

New entrants often face resistance from incumbents, which materializes in the form of entry barriers. Barriers in and of themselves are exercises of power. Looking back to figure 4 one can see that several barriers (both passive and active) played a role in slowing the development of the Brew Hub. Initially from the interviews it was clear that both internal and external barriers were involved. Although the three main external barriers discussed in the literature review were Public Communication, lobbying, and technical standards (CPA), the interviews expanded on this by highlighting some barriers that were not included in the literature (Table 6).

Table 6 Observed internal and external barriers

<table>
<thead>
<tr>
<th>External</th>
<th>Internal</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPA</td>
<td>Learning curve</td>
</tr>
<tr>
<td>Resources and distribution</td>
<td>Experience</td>
</tr>
<tr>
<td>Finance</td>
<td>Communication</td>
</tr>
<tr>
<td></td>
<td>Finances</td>
</tr>
</tbody>
</table>
Incumbent control of distribution channels was one aspect that was often discussed by respondents and mentioned through various sources. When probed about the landscape for beer distribution many respondents lamented about how the three-tier system is abused and how it supports the systemic power and infrastructure of the incumbent regime. For instance one respondent stressed the need for a different system that can provide new entrants a break in the early stages of production:

Certainly the three-tier system has its place; I’ve always felt that if a state has the regulations where they allow limited self-distribution, you help the little guys get to the volume threshold where it makes sense for the distributor to pay attention to them. I worked for a long time in Georgia and it’s a strict three-tier system and you had no choice and there was one customer, which was the distributor, where you were locked in for life. But when you are a small guy who is selling 100 cases per week, the distributor has no incentive to care about you or your brand.

What this quote points to and what many others in craft beer believe is that with the current system it is difficult for new entrants to have access to the distribution system. The power to maintain the status quo is exercised actively by incumbents through legislations that protect the dominant institutional infrastructure. Furthermore, with the addition of the aforementioned merger and acquisition of distributors, distribution has become increasingly more difficult. Although opinions may vary about how new entrants find a path to distribution, it is clear that many from the craft brewing industry are unhappy
about how difficult it is for many to gain access to distribution channels. In addition, through the media, more attention has been drawn to how incumbents are “throwing their weight” in order to dominate access to raw materials and distribution of products. As mentioned previously, several sources observed that InBev has been requiring distributors to only carry their products, which would in turn block smaller brewers from gaining access to retail centers. Furthermore, they noted that this practice could potentially lead to higher prices and fewer choices for consumers. Despite the barriers in distribution and power exerted on small brewers, the Brew Hub continuously signed new contracts with partners throughout their development, as you can see on timeline in figure 4.

In discussions with respondents, many noted that lobbying does play a role in preventing craft brewers from reaching consumers. For instance many respondents mentioned Florida’s 64-ounce growler law that passed in 2015 after several years of debate starting in 2012. However, previous attempts to make 64-ounces the standard, as it is in the rest of the United States, were met with tough resistance from lawmakers and lobbyists. In previous drafts of the law 64-ounce growlers were allowed, however it then required that breweries to first sell their beer to a distributor, then buy it back before they could sell it to the public (Sabilla, 2015). The Brew Hub found this to be undesirable because growler sales in their tasting room was a large part of their sales. In the final draft of the law (May 2015) the grower sale and resale rule was dropped. Respondents and several news sources reported that this stipulation could have potentially harmed craft beer consumption in Florida. Furthermore, lobbying affect many laws and regulations that were dictated before the inception of the Brew Hub. As such, regulations such those that
affect the technical standardization of products placed a heavy burden on the Brew Hub throughout their development.

Technical standards in regards to laws and regulations of producing alcohol were regarded as a bothersome, but necessary obstacle to pass. From the early stages of development up until the opening of the Lakeland facility in 2014 it was noted that the Brew Hub needed to be in compliance with OSHA (Occupational Safety & Health Administration) and TTB (Alcohol and Tobacco Tax & Trade Bureau) laws. Essentially the TTB regulates the production, distribution, marketing, sales, and taxation of beer, while OSHA protects the rights of workers. In order for the Brew Hub to start producing and selling beer they needed make sure that these rules and regulations were followed. These rules exert power on new entrants by forcing them to comply with a set standards. Additionally, several Brew Hub respondents mentioned that managers met with agents from these agencies, between 2012 and 2014, to ensure that they were following all rules and regulations properly. For instance one respondent noted “from a legal standpoint from being OSHA compliant, from being TTB compliant, we’ve met with the local officials, we’ve been audited and we’ve corrected anything that’s been brought up during our audits”. Although these rules are required by all brewers regardless of size, incumbent brewers are more familiar and better equipped to handle them. Thus, being in compliance with TTB and OSHA regulations is an important step that could potentially hold up the opening of future facilities.

Looking back to table 6, throughout the development of the Brew Hub, internal barriers affected how efficiently the facility could be run. These barriers manifested themselves through the learning curve, communication, and finances.
With the facility being new (only one year old at the time of the interviews), and the concept being recently established, newness or the learning curve quickly became one of the biggest obstacles for the Brew Hub. Throughout my interactions with Brew Hub employees and managers, newness was by far the most mentioned obstacle. From my observations and interviews, newness transpired in several ways. First was the issue of new equipment and working out all of the “kinks.” Over the process of developing the Brew Hub and learning to run the facility efficiently, individuals were involved in developing unique technologies that were defined by the Brew Hub (technological anchoring). During the initial tour of the brewing facility it was apparent that the facility is still brand new. In fact, the facility had just installed a new canning line after one year of production, and was in the process of installing several new brewing tanks. From the outside the building looked new and clean. Inside the tasting room everything looked well kept and the high tech tap list and app made the whole experience feel futuristic.

With all the new equipment many respondents reported that they feel that a lot has gone into the learning process. This was neither viewed as good or bad, however it has created some issues in the past. For instance, one respondent noted that “every brewery has its own distinct taste or its own distinct smell” and with the Brew Hub having so many clients it was a challenge for them to match the distinct aspects of every brewery. Furthermore, equipment was viewed as a very important internal issue at the facility as it was mentioned 16 times by various respondents. Although, the future facilities in Chesterfield and the Northeast won’t be finished until after 2017, the learning curve for new equipment will also be a factor, but as many respondents noted, no one has attempted to provide the same services (Partner Brewing), and there is “no template” when starting
such a project. With no corporate presence a lot of the operating procedures were acquired “on the job”. Which, in essence is learning by doing. For instance one respondent noted:

You have to figure out what to do when you do it. It’s kind of like when, if you took a job with somebody like Coors, if you accepted the position of lab technician, well there are probably 50 people like you who work in that building that have held that same title. So, it’s clearly defined what your job is, there is a clear routine of what you’re supposed to do everyday. While if you took a job here, there was no packaging manager here before I was here.

However, by the time that the interviews were conducted (late 2015), the staff at the Brew Hub had a much better understanding of all processes and equipment. With time the staff have developed their knowledge of the equipment and technology and are now able to handle a wide array of issues. This allows the Brew Hub to produce beer at a similar level of quality and repeatability as incumbent breweries. For instance the Brew Hub developed a fully automated remote control brewing system with the Siemens Corporation to make their brewing processes more efficient. Additionally, quality in terms of ABV, IBU, and color had been an issue for many partner brewers; as a result of the partnership their products have been more consistent. The improvement in process and quality through the remote brewery system were also considered to be technologically anchoring the niche to the regime. However, internal barriers, not only equipment and operating procedures, but also in communicating internally and with the surrounding community affected how the Brew Hub handled regime power.
Communication with partners was often cited as being one of the primary barriers at the facility. Even though partners are required to sign a formal contract as they did with Cigar City Brewing Co, it was mentioned that some of the smaller brewing partners often have a very informal relationship with the Brew Hub. The level of informality has created issues with meeting the desired quality specs demanded by the partners. One respondent noted that a more formalized process of communication is needed in order to achieve the desired quality specs requested by the partners. For example, one respondent stated “we need to be fully involved in the process so being up front and having specs to actually follow, which with a lot of folks, we get stuff written on napkins and cardboard sheets.” Although they are making the process more formal, it has been a challenge to get the small breweries to create a formal “recipe” for their beers.

5.4 New Entrant Strategy

From the beginning many individuals were involved in various strategies throughout the facility (see table 7). Starting from the initial vision of creating a facility where craft breweries could grow, hybrid actors and institutional entrepreneurs played an integral role. From the interviews and new sources it became clear that the Brew Hub utilizes several hybrid actors in the goal of expanding craft beer. Back in 2009 the founder of the Brew Hub got the idea for the facility while still working with Anheuser-Busch. From 2012 forward he had been working in the area between the niche and regime as a hybrid actor. Through his various contacts in the regime and niche the Brew Hub has been gaining credibility. Additionally, the Brew Hub hired one respondent with the objectives running the tasting room and working as a brand ambassador. In the brand ambassador role, this respondent worked as institutional entrepreneur in convincing people that the Brew Hub is
not a contract brewer and to convince other individuals and actors of the brew hub and the craft beer movement. The hybrid actors at the Brew Hub are very important as they often use previous relationships and knowledge from incumbent organizations as means to navigate the market as a new entrant. From when they worked in the incumbent regime they saw an opportunity that had not yet been discovered and created to Brew Hub to seize the opportunity. Through these actors relationships were made in 2014 and 2015 that allowed the Brew Hub to take on new partners in brewing and other areas.

Table 7 Actor involvement in strategy

<table>
<thead>
<tr>
<th>Hybrid Actor</th>
<th>Institutional Entrepreneur</th>
<th>Message Framing</th>
<th>Experimentation</th>
<th>Coordination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead Brewer</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Plant Manager</td>
<td>Yes</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Packaging Manager</td>
<td></td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Production Manager/QC technician</td>
<td></td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Cellar Manager</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>General Manager</td>
<td>Yes</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Business Manager</td>
<td>Yes</td>
<td>Yes</td>
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</table>

During the interactions with Brew Hub employees and managers, the investors and ownership were lauded for their willingness to invest resources when needed, but the size and power of the incumbent regime still made entry difficult for new entrants. An example that was previously mentioned is the canning line. In 2012 and 2013 during the planning phase when purchasing the equipment the Brew Hub decided to purchase a “subpar”
canning system. According to the respondents the reason for choosing a subpar canning system was lack of capital as a start up. As a result one respondent stated "We kind of limped through and tried to make it work made some repairs, ran it more, made some more repairs, and it just wasn’t working out". They were eventually able to purchase a new canning line after a year and a half at the price of two and a half million dollars. After growing for more than a year they had accumulated enough financial power to over time to fend off this passive barrier. Even though these barriers can be seen as disadvantageous for new entrants, they have own strategies that they can use against the incumbent regime.

From the opening of the first facility in 2014 until this study was conducted, respondents verified that through experimentation, new techniques and processes were developed further. Although in large commercial breweries there is a formal planning process when developing a new product, at the Brew Hub and for others in the craft brewing industry, product development is a more spontaneous informal process that occurs on a pilot brewing system. When probed about experimenting with beer recipes one respondent noted “The extent of our experimentation has been: I wonder how this would taste in a barrel? Lets throw it in there. So we’ve been doing that”. One of the benefits of creating experimental brews is the ability to test consumer opinions, rather quickly, in the tasting room. It was noted though, that experimentation is not one of the primary functions of the facility, as the brewers and staff were more focused on working with partner brewers and developing existing beers, but they hope to eventually experiment with the efficiency of various ingredients. For example the respondents mentioned their eventual goal of creating a pilot batch where they separate the yield into three batched for fermentation in order to test raw materials such as yeast and hop utilization, which would
be beneficial for evaluating product quality. Since the business model at the Brew Hub strongly encourages partnership, many cases of experimenting with raw materials occur in collaboration with their brewing partners. In comparable industries, knowledge sharing is an important tool used in collaboration with public and private institutions. However, according to one respondent the Brew Hub tends to rely more on internal sources of knowledge (i.e. their own brewers and partner brewers) when facing challenges. The Brewers Association does provide knowledge and educational services for new breweries and others in the industry. The Brew Hub is a member of the Brewers Association, but the level of involvement with the Brewers Association is nonexistent.

Searching for new and different flavors in beer is essential in the entry strategy of craft brewers. According to Aquilani et al. (2015), consumers expect to find certain sensory characteristics in their beer, and if these characteristics are not met then it will be rejected. As noted by Wesson and Figueiredo (2001) micro and craft breweries tend to use more expensive ingredients, processes, and distribution in order to achieve products with more intense flavors than the standard beer produced in large production facilities. These characterizes applied to the beers produced at the Brew Hub. For instance one of the Brew Hub’s more recent clients, M.I.A Beer Co., produces a beer call M.I.A IPA with 6.0% ABV and 70 IBU that is an:

Intensely hopped india pale ale [that] has a light-bodied West Coast style. Its slightly piney flavor is countered by a burst of citrus and tropical notes. We hopped it throughout the brewing process with Zythos, Citra, as well as Pacific Jade and Sorachi Ace (2016).
Or one of the Brew Hub’s original brewing partners, Cigar City Brewing Co., produces an IPA called Jai Alai, that is described as “copper in color with notes of citrus and tropical fruit in the aroma. Flavor has upfront citrus bitterness with a hint of caramel and citrus and tropical fruit hop notes in the finish” (Cigar City Brewing Co., 2016). As one can clearly see, many craft brewers rely on a diverse set of ingredients to achieve distinct flavor offerings. However, Aquilani et al. (2015) have also noted that health information does play a role in consumer choices, but in the case of craft beer and the Brew Hub there is no requirement for health information other than stating the ABV%. Regardless, consumers make their consumption choices based their preference for different tastes and ability to express individuality (Choi & Stack, 2005, as cited by Aquilani et al., 2015).

For the Brew Hub and their partners, this resulted in beers with distinct flavors being produced. Through the respondent comments and audio-visual materials, it is apparent that the role of collaborating and coordinating with others is a central part of how the Brew Hub functions. Due to the increased number of partners as time goes on (3 in 2013, 10 brands by 2016), collaboration has played an increasingly important part in brewing. What partner brewing achieves is not only helping partners reach new markets and thus new consumers, but also to improve the quality of their partner’s products. It has been noted by many partners that their biggest fear was that the Brew Hub would improve the quality of their products to a point where they cannot replicate it at their own breweries. Specifically, the respondents were referring to the Brew Hub’s ability to produce a product with consistent and repeatable International Bittering Units (IBUs), Standard Reference Method for color (SRM), Alcohol by Volume (ABV), clarity, foaming,
bottle fills, and flavor. Moreover, on their website it states that the Brew Hub provides laboratory services in the following areas:

**Physical Analysis**
- Color
- pH
- Haze
- Carbonation level

**Microbiological Analysis**
- Aerobic/anaerobic total plate count
- Counts of spoilage organisms and wild yeasts

**Chemical Analysis**
- Original and residual gravities
- Real degree of fermentation
- Calorie content
- Alcohol level
- Hop bitterness level
- Total VDK levels
- Dissolved oxygen, headspace oxygen and total package oxygen levels

**Sensory Analysis**
- Semi-quantitative taste panel analysis can be run on all new batches and trends established

However, due to the level of involvement in the brewing partnership, the brewers at the Brew Hub work with the partner brewers to find collaborative solutions to the myriad issues they may face. Furthermore, the partnership runs on an alternating proprietorship agreement, which means that when a partner is brewing at the Brew Hub that part of the facility is under the “ownership” of the partner brewer.

**5.5 Expansion, Power, & Shifting Preferences**

From the moment of arrival to my departure it was very clear that growth and expansion is constantly on the minds of those who operate the Brew Hub. This is clear when one observes the facility and the imagery surrounding it. One example of this
imagery is the Brew Hub logo figure 5. The logo features a wooden barrel with a tap representing the small handcrafted nature of their products. In the middle of the barrel is written Brew Hub, surrounding the name is the image of barley and the slogan “where craft brewers go to grow”. The slogan represents the goal of the Brew Hub, which according to every respondent is to help craft brewers grow.

All respondents noted that growth of craft beer is one of the main goals of the Brew Hub. In order to achieve this goal the Brew Hub has attempted to take advantage of a growing market and changing consumer preferences. The business model of the Brew Hub is designed to support the growth and expansion of craft brewers, as one respondent stated:

Our business model is to take advantage of rapidly growing craft beer segment. Many of our partners, and the craft beer industry in general, really struggle to come up with the capital to grow. So, we invested the capital here, and we have been very selective in our partner selection and it’s given our partners the opportunity to grow their brands without having to make a 25 million dollar investment. This is the first brewery of five that we are going to build across the country. Once we build the five, local partners will be able to produce and distribute their product across the country. Our target is to reach about 80% of the craft beer market within reasonable driving distance of one of our breweries.
Once a brewer is engaged in a partnership with the Brew Hub they can reach a larger geographic area with their products and exert their power in new markets. The capability to distribute their products anywhere in the United States was once only available for brewers with the capital and infrastructure to reach all markets. Once the Brew Hub opened their first facility in 2014, brewers were able to reach more customers and expand the segment as a whole. The Brew Hub’s plans to expand to 5 facilities by 2018, however recently it was announced that the Chesterfield facility is a year behind schedule and over budget, there have been issues with securing a location for the North East facility, and they had to find a new chief of brewing operations. Regardless of the setbacks with developing new facilities, the original location in Lakeland is planning to expand due to the reported large demand for their services in the area.

The creation and the rapid growth of the Brew Hub has run parallel to the current trends in the food and beverage industry According to the respondents one reason why the beer industry is shifting towards local, fresh, and different flavors is due to a change in consumer preferences. Over time as craft beer has grown certain flavors and characteristics have shifted. The Brew Hub produces many beers that reflect the shift in consumer tastes, such as those created by their partner Cigar City Brewing Co. According to the respondents things are on growth trajectory and this is reflected in the projected production volume of 60,000 barrels for 2015.

In line with current trends, the respondents at the Brew Hub found that in order to succeed they need to play to the changing tastes and interests of consumers. As a result consumer preferences are changing the way in which choices are made, as one respondent put it:
The craft beer industry is growing double digits every year; clearly they’re taking that away from the big brewers. We still have a long way to go to catch up from a buying standpoint, but what’s happening is not so much craft beer, not so much big beer, it’s the consumer. The consumer’s preferences are changing. They want local, they want fresh, and they want something different. The days of drinking your brother’s beer or your dad’s beer has disappeared.

By looking at the Brew Hub’s tasting room tap list one can observe that it is evident that many are looking for unique and diverse options. During the visit to the facility there were over two-dozen beers on tap with styles ranging from California Common (5.5% abv, mild hop light in body and color) ale to a Dry Irish stout (5% abv, Dark ale with notes of coffee and cocoa). Ever more often we find that craft brewers and the Brew Hub alike are interested in getting involved with the greater community. One respondent noted that they have been trying to get the community involved in what they do through hosting events for veterans and others. The way that the facility was built also agrees with the idea that in addition to making quality products, the Brew Hub is also interested in getting locals to see how craft beer is made and thus, receive some immediate feedback.
6. Discussion

Since the advent of the MLP we have been given a new analytical tool to understand how transitions transpire. As such we can go even deeper to try to understand what dynamics are at play in a transition process, such as power and strategy. Ultimately, then, the aim of this thesis is to shed light on the strategies used by new entrants in the craft beer industry to overcome barriers set in place by the existing regime. It is important to acknowledge, nonetheless, that these barriers can be both passive and active, as in various situations where barriers were observed that were not intentionally created by the regime yet influence the accessibility of resources for new entrants. The nature and role of passive versus active barriers merit careful consideration and are thereby elucidated more fully in the subsequent sections of this study.

In the methodologies chapter it was stated that the three main research questions were: (1) How do new entrants perceive the regime? (2) What are the strategies of new entrants? And what role does power play in this process? (3) The following section attempts to answer these questions through addressing the practical and theoretical implications of the case study.

6.1 Barriers as an Exercise of Power

From observing the results described in chapter 5 it is apparent that power impacts which strategies are used. Power is felt in both how new entrants perceive incumbents and which strategies are used to overcome incumbent barriers. The generally negative opinion towards incumbents can be attributed to barrier setting activities, which in and of themselves are exercises of power. Whenever incumbents actively implemented a barrier,
it was promptly met with public criticism, such as the proposed InBev SabMiller merger. Barrier setting actions, such as the InBev SabMiller merger, are considered to be active because they are applied in order to achieve a strategic goal. In this case they are purposefully attempting to limit competition with smaller craft breweries by purchasing them. Furthermore, acquisitions make it difficult for the average consumer to understand if what they are purchasing is truly a craft product. As the results indicate, the goal of the merger from the perspective of the respondents is to gain more control in the beer industry. This is further supported by Dawar and Bagga (2015) when they assert that regardless of the result of the merger, the goal of the possible joint entity is to gain a stronger foothold on consumer decision-making. Indeed, visible entrepreneurial work aimed at supporting the regime pushes niche actors to view the regime more unfavorably. Conversely, passive barriers played an important part in deterring small firms from challenging regime actors. Although these barriers may not be as visible as active barriers, they have the potential to obstruct the development of craft breweries. For example the results pointed to inexperience with technology and equipment as a passive barrier.

Despite how new entrants feel about incumbents, the more important issue was whether or not the strategies of new entrants can be identified and how power affected the success or failure of new entrants. The role of power was a factor in what barriers were set and how new entrants devised strategies. Previously, Avelino and Rotmans (2009) described the main ways in which power is used as innovative, destructive, constitutive, transformational, and systemic. Essentially, the act of resource mobilization is an exercise of power, and how each power is exercised can fall within one of the 5 types of power dynamics. For instance when incumbents were acquiring distributors, they were using
financial power to limit access to resource distribution (constitutive power). Or when new entrants were experimenting with different flavor combinations they were mobilizing mental resources (ideological power) to be used as innovative power.

Due to the sheer size of incumbent actors, it became clear that several different types of power needed to be considered when evaluating incumbent barriers. First it is important to recognize passive exercises of power were prominent in the case. By existing and operating prominently for many years incumbent actors accumulated power through their reputation and recognition. This in and of itself is enough to deter sole actors from entering a market. Secondly, one of the side effects of being a prominent regime actor is easy access to financial resources. In many instances, these financial resources actively put pressure on new entrants. As we saw in the case, there was rising concern over the acquisition of other breweries by the incumbents. Christensen (2011) highlighted acquisitions as one of the possible strategies to use when facing a new entrant promoting a radical innovation, thereby, pushing new entrants to find innovative ways in dealing with the power struggle with incumbents.

The results of this study corroborated previous research on barriers. The evidence shows that Smink et al (2013) are correct in asserting that corporate political activities (CPA) such as lobbying, public relations, and standardization are the three main types of activities that actively work to set barriers. However, the results indicated that new entrants in the craft beer sector mostly refrained from participating in CPA, with the exception of public communication. One could postulate that the refrain from engaging in standardization and lobbying efforts could be due to the size new entrant firms and their target audiences. As many of craft brewers are focused on approaching local consumers
with their products, they don’t have the resources, such as the financial means to fund a team of lobbyists, to push for legislation or to tighten technical standards. Additionally, many new entrant firms are still regrouping from start up costs in their early stages. Although national organizations such as the Brewers Association do put in a concerted effort to fund CPA for its members, on an individual firm level CPA is seldom used. Moreover, in this study, brewing partners often did have the financial power to hire a public relations firm. Through association with the facility, partner brewers were able to acquire some publicity through articles published about the Brew Hub. But, at the same time we saw incumbents countering the growth of new entrants with advertising on a much larger level. Once again this seems to indicate that financial power is a major factor.

Due to the amount of financial power held by the regime, it was observed that new entrants had to find other methods of competing with incumbents. Relatively speaking, the Brew Hub did have enough financial power to lift growing breweries from a small, local operation to one that is more regional and perhaps even national (in the future). However, in comparison with the large institutional regime actors, direct competition would seem to be a fool’s errand. In order to surpass incumbent barriers, firms need to be able to invest large amounts of financial resources. This capital is required for building facilities and buying equipment (Porter, 1998). In some instances due to the way incumbents preserved the dominant system, such as with upholding the 3-tier system, new entrant actors were forced to directly compete with incumbents. And such control over the 3-tier system is a use of constitutive and systemic power to create barriers. Through controlling how products are distributed, incumbents essentially control whether or not new entrants can distribute their own products and gain product exposure in retail stores. The process of
gaining access to distribution is often difficult because new entrants must convince distributors to carry their products through price discounts, cooperative advertising, and other incentives (Porter, 1998). In addition to barriers set through financial power, it was discovered that various internal factors acted as entry barriers.

Relating back to the results, by far the most mentioned barrier by respondents was related to the issue of the learning curve. The process of educating employees on equipment and people can cost the firm money. However, over time the costs decline because employees become more efficient and improve their working habits, equipment and processes are further developed, equipment is used more efficiently, and measurement and control processes improve (Porter, 1998). Considering that the Brew Hub is still in its early stages, it was observed that the effects of the learning curve were still quite noticeable. The learning curve was the source of many of the initial start up costs, but these costs are expected to decline. Interestingly, the learning curve was one of the most discussed barriers in the interviews, however it seems that the learning curve is a passive barrier that is not actively set in place by incumbents. In spite of all the barriers set in place, the results indicate that new entrants fared better when attacking incumbent actors through non-traditional methods and with other types of power.

6.2 New Entrant Strategy as an Exercise of Power

When faced with the challenge of competing with incumbents it was observed that new entrants and niche actors had to mobilize alternative resources in order to gain power leverage. With incumbents having national influence and recognition, new entrants had to rely on creating local support for their cause, while protecting their clients (niche actors) from mainstream pressures. In this case the most appropriate way of supporting their
clients or partners in the ongoing power struggle was to levy collective and ideological power against incumbent actors.

As noted by Seyfang and Longhurst (2013) grassroots movements seek to build a new system rather than focusing on small individual reforms. This study's results demonstrate that new entrants who contribute to a grassroots movement can benefit from the collective power of all movement actors. This means that actors who are not by definition “grassroots” can still contribute to the mobilization of collective resources in the name of a grassroots movement. Though it is still on a rather small level, the Brew Hub is essentially trying to alter the regime through enabling partner brewers to grow and translating the products of partner brewers to a more mainstream setting.

Through the case of the Brew Hub, I wanted to discover if coordination and clustering were factors and if their power could be felt in their strategy. It is clear that coordination does indeed play a role in achieving the goal of helping craft brewers grow. Relating back to the results it was clear that the interaction of the Brew Hub, partners, and other craft brewers played a key role in pushing for a transition. However, even though the Brew Hub’s values are aligned with craft beer grassroots movement, it seemed that there was little interaction other organizations and institutions supporting craft beer. There is belief that this could be due the somewhat closed nature of the Brew Hub. They have the power and resources to support other craft brewers and they don’t necessarily need support from other actors.

Because the Brew Hub is highly involved in supporting the growth of craft beer, it was observed that they benefit from being geographically located near several centers of craft beer growth. Clearly, clustering near these “beer centers” allowed them to reach craft
beer consumers easily. In addition, the also benefitted financially due to the increased demand for craft beer in these areas. This agrees with the literature (Enz et al., 2011) that clustering also translated to performance spillover by positioning the facility in the proximity of several craft beer clusters in the state of Florida. Furthermore, Wesson and Figueiredo (2001) noted that microbreweries benefitted from having microbrewery rivals in the same state, which was also observed in this study. Although the institutional environment was already moving in the direction of more local products (possibly due to other important local actors in the craft beer movement or similar movements in other food industries), the addition of the Brew Hub only strengthened the power of craft brewers in that setting, thus, promoting the interests of craft brewers and the Brew Hub in the region.

By aligning themselves with local food movements, the craft beer grassroots movement was able to differentiate itself from the products of regime actors. One could postulate, how do craft brewers compete with large commercial breweries? One solution is to create beers with local appeal (Wesson & Figueiredo, 2001), as was the case with many of the beers produced at the Brew Hub. Essentially, consumers are gravitating towards craft beer due to various properties it borrows from neolocalism and other movements. Beer brewed at micro/craft breweries versus macro breweries may not necessarily be “better”, but they do have competencies that macro brewers do not have. Due to their relatively small size craft brewers are able to be more “nimble” or flexible in their product offerings. For instance by brewing small batches they can provide more diverse, exclusive, and personal product offerings. Furthermore, by positioning their breweries and tasting
rooms to be local places of social gathering, they are able to immerse local consumers in their brand and align them with brand values.

In the search for product differentiation craft brewers often had to rely on experimentation and research and development (R&D) as a strategy for discovering novel ideas and creating knowledge. In other studies (Elzen et al., 2012a) knowledge sharing with outside organizations was deemed crucial for the development of the niche and the same was expected for the Brew Hub case. However, the results showed that outside knowledge sharing was not one of the observed activities, but rather they relied more heavily on internal sources for knowledge generation. For instance, the respondents did show an interest in testing different materials on the pilot brewing system. Often brewers experiment with different flavor offerings and test them internally in the brewery tasting room, which can be instrumental in creating distinctive quality attributes that can set them apart from macro beers. In this case experimentation was important for partner brewers by allowing them to exercise innovative power through mobilizing their unique resources. In their experiments craft brewers created new resources that could potentially be mobilized in future strategies.

6.3 The Role of Anchoring in Creating Niche-Regime Connections

It is through the institutional work of a select group of individuals that linkages are created between the niche and regime. As was mentioned previously, anchoring can influence the institutional environment technologically, in the network, and institutionally (table. 8) (Elzen et al., 2012b). As the results indicate, several individuals at the Brew Hub actively navigated the institutional environment to create linkages through anchoring. Technological anchoring was observed when Brew Hub technicians further developed and
defined their technology and equipment. For instance respondents spoke increasing the quality of partner brewer beer with their “state of the art” equipment and technology. Additionally, by working to replicate each brewery’s unique characteristics in their facility, the Brew Hub helped define the technology and make it their own.

Table 8. Types of Strategies in Anchoring

<table>
<thead>
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<th>Technological Anchoring</th>
<th>Institutional Anchoring</th>
<th>Network Anchoring</th>
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<tbody>
<tr>
<td>Institutional Entrepreneurs</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Hybrid Actors</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Coordination &amp; Collaboration</td>
<td>Yes</td>
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<td>Framing</td>
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From the results it was apparent that the brew hub employs a hybrid actor who is familiar with both the niche and regime. By understanding both the niche and regime environment, this actor was able to change the network (network anchoring) by creating interdependencies between the niche and regime. Through relationships in both socio-technical levels (niche and regime) the hybrid actor was able to align other regime actors with goals and visions of the niche (Elzen et al., 2012b). For example the hybrid actor used a previous relationship with a public relations (PR) firm to promote the Brew Hub as the future of craft brewing. Through their PR efforts, the Brew Hub effectively framed their message to consumers. Furthermore, the Brew Hub further framed their message though interaction with consumers, through events held at the facility.

Institutional entrepreneurs also played a large role in convincing other actors and individuals of niche values. The Brew Hub not only used institutional entrepreneurs working in a brand ambassador role at industry events, but also trained employees to be
brand ambassadors at the facility itself. The activities of hybrid actors and institutional entrepreneurs at the Brew Hub demonstrates that these roles can play an important part in the diffusion of a niche innovation and legitimizes the movement in the minds of regime actors.

Power was indeed an important element in understanding how the institutional strategies played out. The resources that were mobilized was generally clear, however, how they were mobilized still needs further examination. In the strategies used it was observed that financial, ideological, and collective powers were most commonly used. In the creation of the grassroots movement people and resources were collectively mobilized to create resources for the niche, destroy resources for the regime, and transform how resources were distributed to system actors. In addition, new entrant strategies used power mainly to create resources and transform the existing distribution of resources, thus, fitting within the framework described by Avelino and Rotmans (2009).
7. Conclusion

This study sought to use MLP and the role power as a theoretical frame by which to examine the case of a new entrant in the beer industry. Being that the MLP has been a very useful tool analyzing transitions, it has shed light on how grassroots movements can affect change. Although innovation strategy has been discussed by other experts (Smink et al., 2013; Porter, 1998; Enz et al., 2011; Seyfang & Longhurst, 2013; Klerkx et al., 2013; Zibler, 2007; Kirwan et al., 2013; Smith et al., 2014; Smith & Raven, 2012), they have yet to integrate the effect power has on institutional strategy. Understanding the role that power plays in strategies can allow for actors to select their path when competing with powerful regime actors. An important result of this study is that actors working in grassroots movements can understand how and what strategies can be most useful against incumbents. For the craft beer grassroots movement, working with and for the network of actors was essential to overcoming incumbent barriers. Essentially, working collectively, through shared visions, and geographic clustering was integral in generating resources that could be mobilized as a source of power. The practical implication of this research sheds light on the balance of power between incumbent and niche actors. From this research new entrants can generate effective innovation plans to challenge incumbent barriers.

In terms of its contribution to transition theory, this study enables us to understand that power and strategy must go hand-in-hand. Incumbent actors are constantly setting barriers to prevent competitors and niche actors from entering the market. Through this study I was able to confirm some previously examined strategies used by incumbents (Smink et al., 2013) and I also observed the counter strategies used by new entrants. The
strategies used by incumbents aimed to both open pathways for their own interests and to create barriers that prevent others from challenging their market power. It is important, however, to differentiate between passive and active barriers.

As was shown in the results, active barriers are easier to identify due to their public nature and in turn can be counted by new entrants/niche actors. Being that these barriers are indeed more visible to the media and public, they also help shape the perception of incumbents. Passive barriers on the other hand are more difficult to identify and counter because they are inherently imbedded in new market entry. In some cases these barriers were inherently imbedded in the new entrant firm and yet they had a profound effect on how the niche developed and grew/shrank. For instance, poor communication between niche actors can lead to financial losses. This is not the result of incumbents setting barriers, but rather the inexperience of actors in an innovative niche. This study shows that future research needs to pay closer attention to the different levels of actor involvement in barrier setting and regime/niche strategy. Furthermore, it is possible that new entrants may themselves become dominant in the regime. It is also possible that new entrants could be consumed by the dominant regime, as in the entry barriers were successful and the visions and interests of new entrants are quieted. It would be interesting to conduct future research on the drivers of these phenomena, however it must be conducted retrospectively because of the unpredictable nature of transitions.

This study demonstrates how the role of power influences the strategies used by incumbents and new entrants. The results show that the power struggle between these two parties was a slow back-and-forth process. This study also showed that role of individual actors can be both in the niche and regime levels as we saw with hybrid actors. Hybrid
actors and their organizations helped in bringing the visions and goals of the niche closer to the regime. Furthermore, it would be interesting for future research to investigate the lifecycle of a new entrant firm and what could be the potential drivers to their success (in transitioning into an incumbent firm) or failure.

Given that this is a preliminary study into the world of craft beer as a grassroots movement, more research is needed to better understand what and how the movement coordinates. Furthermore, the distinction between passive and active barriers has been scarcely discussed and would be an interesting prospect for future research. The important players in the development of a grassroots movement can generally be identified, but little is known about which forces guide the movement against regime pressures. Additionally, there is an increase in grassroots movements that have economic goals (Martin et al., 2015) and more research is needed to link transition and economic literature. Through linking these two fields, internal and external pressures could be better understood in relation to transition management.

As for the craft beer grassroots movement, this study postulates that it will continue to grow and gain momentum in the beer industry. One of the cornerstones of the craft beer movement has been its ability to create products that are unique and distinct. The ability to continue to do this repeatedly will become increasingly difficult. Along with the rising number of breweries and the growing lists of beers produced by each brewery, truly distinct beer will be harder to come by. Differentiating oneself from other brewers will require either location specific marketing or innovation in ingredients and processing. For example, it is not difficult to imagine beers produced increasingly diverse ingredients i.e. local and exotic types grain and hops. The main drivers of craft beer are its ability to
capitalize on the growing dissatisfaction with mass produced beer, its ability to utilize
unique flavors, and its connection with local tastes and culture. If the movement can
continue to be perceived credible despite its rapid growth will be a major challenge in the
coming years.
8. References


THE DEVELOPMENT OF GRASSROOTS MOVEMENTS AND THE INFLUENCE OF POWER: A CASE STUDY OF CRAFT BEER


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Measom, E. (2015, July 7). RE: Brew Hub - Marco Nutta [E-mail to the author].


THE DEVELOPMENT OF GRASSROOTS MOVEMENTS AND THE INFLUENCE OF POWER:  A CASE STUDY OF CRAFT BEER


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Appendix 1.

Brew Hub Interview Transcriptions

Respondent: Head Brewer (HB)

How did you get involved in the brewing industry?

HB: I got involved in an interesting circumstance actually. I have a degree in hotel restaurant management, I was working at the Fairmont Hotel in Washington DC, and I had homebrewed out in Denver where I went to college. I just did not like working in hotels anymore, so it ended up that I had a buddy who got a job offer at Rock Bottom brewery in Arlington Virginia, but he was actually leaving in a few months to go to Hariot Watt over at Edinburgh to get his masters in brewing and distilling. So, names got thrown around and I got in for an interview and took a job. I started as assistant brewer and became a regional assistant brewer, then I moved to Greensboro North Carolina where I became a brewer, then from north Carolina I moved up to Lancaster Pennsylvania where I was a head brewer. Then from there to a small brewpub in Bloomsburg where I was brew master, I was the only guy there. Then from there down to here at the Brew Hub. So, it was at the right place at the right time it was an interest of mine and everything worked out. So, I’ve been doing it now for almost 14 years.

How long have you been at the Brew Hub?

HB: Since it opened, actually before it opened. I started in the beginning of March 2014.
What is the general goal of the Brew Hub?

HB: The main goal more than anything else is to produce a high quality product. On top of that you look at being able to help breweries that don’t either have the capacity or capital to expand. To fulfill the clients that do sign with us to fulfill all of there volume needs as well as the quality standards.

As a new company what have been the biggest obstacles?

HB: From the brewing side, the biggest ones are working out the kinks in the system. In a big system or a small system there is always nuances that prevent you from hitting goals right off the bat. Even going through your water brews and commissioning a [new] system, there are still bound to be issues. Whether it is fermentability or hop utilization, basically trying to figure everything out in that respect. So, with that hiccup comes the hiccup of missing targets with our clients, but I think that we have pretty much gotten through that aspect of it. Now its just communication, you know really making sure that communicating with all of our partners as much as possible to figure out what their needs are and how their needs change vs. what’s put on paper for what they want. We see a lot of last minute volume changes that end up putting a wrench to the system.

What are some of the general external barriers at the Brew Hub?
HB: The city is always an issue, you know making sure everything is within code, approving all the permits and our certificate of occupancy and making sure it is done in a timely manner. Infrastructure is an ongoing issue and on top of that from the tasting room side of things it is making sure that we are getting people into the building. Its easy to bring the manufacturing side in because our clients know that we are here, but when we want to bring people in to actually see the brewery or sit and drink some beer and eat some food, our location is not the most ideal.

**In general how did the Brew Hub respond to these obstacles?**

HB: In terms of process, like I said, it's ongoing. So, we acquire more data and we make alterations. If we run into an issue we do lots of research and try to figure it out. We work with our partners hand in hand to figure out how they have dealt with issues that they may have seen in the past. Externally, again kind of the same thing. You get information from the city that says one thing you put it in a flow meter and try to gather more data points to either confirm or negate what is being told to you. In terms of the tasting room, I think that they are working more and more with marketing. I know they were relying just on social media for a while, but now it seems that they are starting to get into print, and eventually we are going to try to get into radio and television. But really just putting together a much better marketing plan than what we see.

**Could you talk a little bit out technical standards that affect the brewing process?**
HB: The biggest technical standard that we run into is alcohol or ABV. So if the alcohol by volume is printed on the label for the package we have to be within plus or minus .3%. So that is by far the most stringent guideline because of federal laws, we need to make sure we are hitting the number and that the customer value is there. So we're not cheapening the product and we're not adding too much alcohol to it. Outside of that we have a very stringent quality analysis program. So we basically run through everything; there is a set amount of deviation we are allowed to hit. If we are outside of the range we let the client know and let them make the decision. Sometimes it can be a relatively big one; sometimes it can be one or two points of color, which to the human eye isn't much at all. All we can do at that point is to get the data and make adjustments for the next one. We have other options too, we can brew another batch and blend the two together to make sure we hit the specs. But more than anything else it’s about getting the information to take proper corrective action on the next one.

What has been the role of collaboration been at the Brew Hub?

HB: It’s huge actually, we’re taking somebody else’s product, their baby, and moving it to a new location. Where the biggest difference that I have seen is water, the water source is different. On top of that we look at sometimes there needs to be an ingredient change just because of how much we have in house or of something that we’re using. But we very much, collaborate as much as possible because it’s not our product; we’re making a product for them. We’ll usually run a pilot batch, so well run like an 8-barrel batch to make sure
that we can hit all the standards. For that it tends to be more sensory, we’ll still run the QA (Quality Analysis) on it, but there is some variance between the smaller pilot system and the bigger productions system. But if we know we are close on the pilot system we know that it is easily replicable on the bigger system. But it is hand in hand; they’ll send us the recipe, we’ll scale the recipe to our system, send it back to them for approval, once they approve that we’ll send pricing out to them, once they approve that then they schedule the pilot brew system. Sometimes they’re here for the pilot, sometimes they aren’t. Once the pilot is done they come in for sensory to look at all the QA, you know taste it and look at all the QA data. Then from there a lot of times they’ll come for the first production batch. So, it’s very much and hand in hand relationship and that’s why they call it partner brewing, it’s not a contract, I mean there is a contract involved, but it’s not contract brewing in the old school format of they just give us the recipe and we run with it. We very much work with them hand in hand; you know full disclosure with the information. The way that we operate for most of our clients is through an AP agreement, you know an alternating proprietorship. So, we are Cigar City when we’re brewing Cigar City, we are Toppling Goliath when we’re brewing Toppling Goliath. So, we have to make sure that we’re doing everything that they want us to do to make sure that we hit their products the right way.

What has the role of experimentation been here at the Brew Hub?

HB: Slightly. Brewing is a tried and true profession; there has been plenty of experimentation in the past. For us it is not so much in what we are supposed to do. We’re supposed to take their recipes and replicate them. There are aspects of that where we need
to make modifications and again it’s not necessarily an experiment as much as it is just a modification. If we run into problems with clarity or anything like that we have the ability to experiment in the lab to get more information to see whether that would solve the issue that we are dealing with, but yeah it’s not in our scope to experiment with our client’s products. Now we can experiment on the pilot system however we want and we do. We tried new brands and new flavor treatments, we kind of mess around with the flavor profiles of existing beers to sell in our tasting room. Then if they do well in our tasting room we have the ability to do a large batch. Like we have a partnership with Publix right now where they can be our first release and we could see how the product would do with them and then we can expand it out, but that’s about the only experimentation we get other than our home brands.

Since addressing these obstacles, have you noticed a change in the way things are
done in the industry?

HB: The industry in general is growing exponentially, you know what 5 years ago there were maybe like 2000 breweries in the united states, now here were are we go like 4000 and we got new ones opening up all the time. I think the industry in general is changing, I don’t know if it’s necessarily because of what we’re doing. I can say for our clients we are changing their supply chain. Their demand is still there and the reason they came to us is because they couldn’t keep up with the demand. So, we’ve helped in that respect. To bring the increase of supply into it, we’re allowing the beers to be more accessible to the consumer. I don’t see an industry change necessarily, just more of a supply and demand
The development of grassroots movements and the influence of power: A case study of craft beer

change. Locally and nationally they have to expand their markets as well. If we supply and we saturate their home market, it’s their responsibility or they can pay us to do it, to expand their overall market. To other Brew Hub locations or to other states. So like Cigar City right now, obviously they’re really heavy right now if Florida, they need to expand to North Carolina and South Carolina. Toppling Goliath out in Iowa is expanding out to Minnesota and Missouri. They have enough supply for their home market, but now they need to branch outwards because their home market can’t eat up all the supply. Again it just becomes more accessible to consumers at that point.

Is the brew hub the only company using the partner brewing system?

HB: No, there are plenty of breweries that are actually doing it. I think that partner brewing is something that we coined; there are plenty of contract facilities that are out there. I know BJs, one of our own clients, uses breweries across the country to do the same thing. They are a contract; we technically make their brand for them. Also, Two Roads up in Connecticut is doing it; Beltway brewing up DC is doing it as well. The other thing that you see is a lot of breweries with the future in mind get large systems. Then they are sitting on excess capacity or they have nothing to do. There are plenty of other breweries doing the same thing, but I think that we are the only ones where we said hey this is our plan and this is what we’re going to do and we’re going to build four more of these things all across the country to do this project. With infrastructure, marketing, logistics etc. were the first ones that can supply everything you could possibly want. You don’t have to take it all, but we give you the option that you can use it.
Since the start of the brew Hub have you noticed a change with other distributors?

HB: In terms of distribution, what we help with in that respect is so, you sign with a local distributor here in Tampa, now instead of them having to go to five different breweries to pick up, they can pick up at one. So, in terms of ease of infrastructure I think it's helped a bit, but again we would have to produce for everybody to really make a distributors job a lot easier. But I think we have seen for their inventory and their inventory control we have helped a little bit because it is a single pick up for multiple brands.

When I mention large commercial beers what kind of things come to mind?

HB: Oh that's easy. ABInbev, soon to be ABInbev Miller, then you got MillerSAB. It's tough, you would think Sam Adams is getting there, you know they're kind of right on the cusp. Yuengling, you know I grew up not far from the Pottsville location, I've never really considered them to be micro even though they really are. But those are the main ones, I mean Bud, Bud Light, Coors, Miller, Pabst, they're all owned by the same company now anyways.

As a company what would you say are your weaknesses?

HB: We're young I think more than anything else, you know really watching what the market does. We are really reliant on our clients even if they don't want the volume, then
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we're kind of SOL. We have to go hunt down new clients. In terms of our production aspect bringing on new clients in beneficial, yet difficult when it comes to the process. No new client is going to come in and want 300 barrel batches right off the bat. They're coming to us because they want to make the jump from 15 barrels to 100 barrels and we only have so many 100-barrel tanks here. Besides that, the new aspect and cash flow, we're not making a profit right now because we've got a lot of expenses to pay off. You know now when they build St. Louis it'll be nice because we'll have two accounts receivable. Instead of just one account receivable and one account payable and another account payable because we are paying for everything out in St. Louis right now. Once we see the cash flow get a little bit better and we deal with the reputation as well, because some of our executives are from the ABInbev side of the market. Not everything is all craft or micro or whatever you want to call it. So reputation is a downfall, you know being young, and cash flow I think are the most difficult.

As a company what would you say are your strengths?

HB: We're new, you know full automated equipment, we got the expertise here, we've got people from all aspects of the industry, all with varying amounts of experience, our location is great; we're here and St' Louis is going to be fantastic and the north east location one they pick it. We have a good plan behind it, we have a good investor that's willing to grow with us and there's a need more than anything else. There's obviously a need for it we could expand. We could build four more of these and never need to take on a new client because we would just expand our current clients to new markets.
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Respondent: Plant Manager (PM)

**How did you get involved in the beer and the brewing industry?**

PM: Started a long time ago, I was living in a beautiful part of the country call the Shenandoah Valley. I was working for a fairly large print manufacturer. Coors had announced that they were going to build their first brewery outside of the state of Colorado in the Shenandoah Valley. At the time I was probably 22 or 23 years old, I saw the book industry as a dying industry because technology was taking over and I thought beer had been around forever and it was going to be a premium employer in the valley. So, I applied and was one of the original 200 employees hired for that facility. That’s how I got started in beer.

**How long have you worked for the Brew Hub?**

PM: About a year and a half.

**What is the general goal of the Brew Hub?**

PM: Like any business, it’s to make money. Our business model is to take advantage of rapidly growing craft beer segment. Many of our partners, and the craft beer industry in general, really struggle to come up with the capital to grow. So, we invested the capital here, and we have been very selective in our partner selection and it’s given our partners the opportunity to grow their brands without having to make a 25 million dollar
investment. This is the first brewery of five that we are going to build across the country. Once we build the five, local partners will be able to produce and distribute their product across the country. Our target is to reach about 80% of the craft beer market within reasonable driving distance of one of our breweries.

As a new company what have been the biggest obstacles?

PM: As a new company the some of biggest obstacles have been, just it’s kind of like a plane taking off, it takes all of the energy to get it up off the ground. So, building the plant, getting the permits, drilling the wells, hiring the people, making sure you’re in compliance with all OSHA (Occupational Safety & Health Administration) Laws, all TTB (Alcohol and Tobacco Tax & Trade Bureau) laws, all stat and federal laws, and approaching these challenges with a new team of people. Usually, like my other three jobs there was a hug corporate presence and previous plant where they could bring in a lot of expertise to help get the plant up off the ground, that wasn’t the case here. This is the first one.

In general how did the Brew Hub respond to these obstacles?

PM: Our response has been diligent. We’ve done a fairly thorough risk analysis and we prioritize what our risks are and we’ve applied the resources necessary at the time to move through the obstacles. So, now we’re a year and a half up and running, we’re in compliance with all state, local, and federal laws and our staff is pretty well in place hired now,
everybody’s worked with each other long enough now to know how they can count on each other.

**Can you speak a little more about lobbying and legislation in regards to the Brew Hub?**

PM: We do have a corporate entity and it’s in St. Louis. The President of our company is actually in charge of all legal legislation and lobbying. So, I defer to him, I haven’t had to deal with any of it in the state and if someone calls me, either from the state office or from local media, I refer them to Jerry Mullane who’s our president. Unfortunately, I’m not in a good position to answer that from a legislation standpoint. From a legal standpoint from being OSHA compliant, from being TTB compliant, we’ve met with the local officials, we’ve been audited and we’ve corrected anything that’s been brought up during our audits.

**What kind of role has marketing and public communication played at the Brew Hub?**

PM: Fairly extensive, we have a PR (Public Relations) firm and especially getting our partners on board, we’ve had articles in the Wall Street Journal, we’ve hired local media companies to come in and do video clips for us, we’ve gotten a lot of publicity for our partners. And when our partners themselves get publicity a lot times we’ll get a mention in it as well.

**In what way has quality standardization affected the Brew Hub?**
PM: We like to think that one of the perceived advantages of using an establishment like the Brew Hub, we did invest in the equipment, the technology, and the automation. Then we went and hired the right people, so a lot of smaller craft brewers with their equipment and instrumentation they do struggle to replicate from batch to batch to batch. We can bring that level of quality to their products so that’s one less thing that they have to be concerned about.

Since addressing these obstacles, have you noticed a change in the way things are done in the industry (status quo)?

PM: Well, we’re on track to brew about 60,000 barrels of beer this year. While some of it is our beer, most of it is for our partners. I got to believe that these 60,000 barrels of beer are produced that otherwise wouldn’t have been produced. There was recently an article, I got it on my computer but I don’t remember who wrote it, it was outlining the changing face of what they call contract brewing. Now we don’t consider ourselves a contract brewer, we actually take the partnership very seriously. The whole gist of the article, and the Brew Hub was mentioned in it as well as two roads, just around helping craft beer grow and expand. That’s our business model and that’s what we are trying to do.

Is the brew hub the only company using the partner brewing system?
PM: Well there are a lot of contract brewers out there. A contract brewer will typically have a minimum barrel requirement and charge you a cost per case. We have alternating proprietorships with our partners. When you walked into the building you saw that we had their logos displayed on the side of the building and in the taproom. We have their logos there and its place for them to showcase their products. You don’t get that level of service from a contract brewer.

When I mention large commercial beers what kind of things come to mind?

PM: Well I worked at Coors for over 20 years, and the ownership of this company worked for the Budweiser organization. They're very good at what they do there's no doubt about it. I can remember 20 plus years ago where they made fun of the craft brewers and they had a reason to. Mainly it was around the quality of the products, that most craft brewers producing at that time. They don't make fun of the craft brewing industry anymore. Since I've left Coors, which is now Miller-Coors, they've lost about 10 million barrels and just recently shut down a large facility in Eden North Carolina. The craft beer industry is growing double digits every year; clearly they're taking that away from the big brewers. We still have a long way to go to catch up from a buying standpoint, but what's happening is not so much craft beer, not so much big beer, it's the consumer. The consumer's preferences are changing. They want local, they want fresh, and they want something different. The days of drinking your brother's beer or your dad's beer has disappeared.

As a company what would you say are your weaknesses?
PM: Well, we’re small; we’re new, so, getting your name out there and people recognizing. You know we don’t get brand recognition like Budweiser, Miller, or Coors would, but it’s just that many people haven’t heard of us yet. Standard operating procedures are being put in place every day. When you start from nothing it’s a long way to go. That’s one of the biggest weaknesses that I see is that we’re still growing, learning, and documenting our journey along the way.

**As a company what would you say are your strengths?**

PM: Well the business model is fantastic I think. Being able to help the craft beer industry grow and then building five of these plants that will be coordinated and run, as one operating unit is a phenomenal business plan. I think that’s the most positive part of what we’ve got to offer. When it comes to our equipment are brewers are people who haven’t cut any corners we’re clearly trying to establish ourselves as the player in this partner brewing business.

Respondent: Packaging Manager (PkM)

**How did you get involved in the beer and the brewing industry?**

PkM: So when I finished college my first job was a food scientist. At Con Agrifoods making recipes for chef Boyardee and healthy choice soups. I did that for about five years and they moved my position to Omaha. I was living in Pennsylvania, they wanted me to move to
Omaha, but I decided that I wasn't going to move to Omaha. So there was a restaurant for sale in my hometown, so I bought that restaurant and I ran that for about 4 or 5 years. Once we had kids I started looking for a full time job that paid for benefits. So, I got a job as a quality assurance lead in a brewery in Pennsylvania. That how I got into working with beer, I had a bit of a science background, so they hired me for the quality job. I did that for about three years and at that point my wife and I decided we wanted to move somewhere nicer to raise our kids, so then we moved to Florida. I found this job on LinkedIn and got in touch with PM.

**How long have you worked for the Brew Hub?**

Pkm: I started here at the beginning of May.

**What is the general goal of the Brew Hub?**

Pkm: So, the goal here, tied in with what my personal goal is, is to help small brewers to come, kind of grow, become more acquainted with the industry, and do everything I can from my standpoint as packaging manager. To try and help them understand, you know how to quickly package high quality product. So, you know our company goals, like it says it on the sign, where craft brewers go to grow. So, we kinda all do our part to make that happen. So, it's growth through them learning the process you know we do things on a bigger scale. And then we help with sales, we help them with warehousing, production, brewing, everything. So, every aspect.
As a new company what have been the biggest obstacles?

PkM: We’re small because we’re one location and one brewery, but we’re big because it’s a big facility. We’re trying to be big for our customers, but at the same time to buy the equipment that we want to buy, to be able to serve all of our customers that costs a lot of money. So, the initial investment that the ownership has made has been really significant, but at the same time we might not get all of the tools that we need right away. So, some of the hurdles are to make it work with a little bit less for now. Until we get to the point where we have a couple breweries, a couple locations, and a bit deeper pockets. So, it’s gotta make some money first.

In general how did the Brew Hub respond to these obstacles?

PkM: We had just a month ago or so we had one of our biggest months. I mean we’re definitely on an upward trend. We’re still in the process of bringing on new partners, new smaller breweries to work with. So, we did kind of started off with a couple of partners and we learned together how it was going to work. Now we’ve become a little bit more established, we know what that relationship is supposed to look like. So, now we’re ready for more.

What role has collaboration played at the Brew Hub?
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PkM: From my standpoint as packaging manager, it’s a lot of learning what the critical factors are for each brewery. I might know for example that the owner of one brewery doesn’t mind having his CO2 a little high and he might not. So, it’s learning what’s important to each brewery. Sometimes there are days where the collaboration is hard. Like there are days where I don’t know what we might be packaging the next day. So, we have 100 barrels of this beer, you want it in kegs, cans, or bottles. So, a lot of times it’s down to the wire. And then ordering raw materials, do they order it and send it here, do we order it? You know what I mean? If they order it, do they buy it and bill us for it and we bill them back for finished product? Do we buy it and bill them for the whole thing? So, every partner is different, it’s confusing but we offer that flexibility to them.

**What has been the role of marketing at the Brew Hub?**

PkM: So, we have our own brands, which we have sales people that market it to local distributors. Then as the package depending on each brewery’s contract, some breweries come to us and ask to use our sales force. Most breweries handle that on their own. So, they simply use us as a production facility. You know warehousing, and then they go our and do their own sales. You could have the contractor buy the package with us, but we do all the sales and marketing. So, it’s important, a lot of these new partners coming on have their own sales and marketing people and want to handle that on their own.

**What role has experimentation played at the Brew Hub?**
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PkM: We’ll do anything under the sun that a partner asks for. We’ll try anything; you know we have a pilot brewing system, where we’ll do smaller batches, or test batches, or even collaborations. Our brewers work with the brewers of our partners and they’ll work on new flavors and new things. The good part about that is that we have this tasting room facility, so if they make a good beer and they want to try it in the market they can test it in the tasting room and get a bit of customer feedback on it. It is good because with those new batches and test batches you get some instant feedback and you can get it to market the next day basically in our case.

What role has lobbying and legislation played at the Brew Hub?

PkM: In my role I have not, you know in what I do I don’t deal with that as much.

Has the Brew Hub been successful in surpassing these obstacles?

PkM: Yeah we’re starting to see, and it’s good for the employees too, we started with a can line that was a little sub standard. We kind of limped through and tried to make it work made some repairs, ran it more, made some more repairs, and it just wasn’t working out. The company decided to invest in something new all together, which is good. We can better serve our customers; we can make in one shift what it used to take us a week to do. So it’s a big deal, in our youth here we’ve addressed some big issues, its good for the employees that the ownership is really about improvement and moving forward.
How have others in the industry reacted?

PkM: I don’t know that a lot of people are set up to do. If there are other places like the Brew Hub popping up, I haven’t seen too many yet. We’re kind of in an in between territory, there’s big breweries that will do large batches, then there’s smaller breweries with smaller systems that will do some for craft. But we’re kind of in the middle, we’re right in that spot I think that if you really can’t meet demands with a small system, you come to us. But we’re probably too small for places once they really take off. So, we’re kind of where breweries would go to grow up, before they get to the point where they want to invest in their own equipment to grow their brewery.

Have you noticed a change in established companies in the beer industry since the introduction of the Brew Hub?

PkM: The change that I see is that you see a lot of the big boys buying some of the craft brewers. Some of the craft brewers that grow really popular and get kinda big, I think the bigger guys see them as a threat and they buy them. I don’t know if their intention is to keep them in the larger facility or to keep the smaller facility in operation, but you are starting to see some of these craft brewer brands being bought by the bigger, you know Miller and Coors.

How would you describe the current distribution system of beer in your own words?
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PkM: our system is, basically after we produce we warehouse, to a certain extent; we have a small warehousing space. So, basically we tell our partners that in a week or two try to get everything out. We’ll work with them and help them to do that. Basically they need to get their stuff to some bigger distributors out there like DC and JJ tailor because we only have limited amount of space. So, to the bigger distributors who ship out to the restaurants and stuff. Certain partners are allowed to keep their product here as long as they need to, it’s written into their contract, For example BJs restaurants, so we really warehouse most of their stuff for them. Then send them out to the distributors that go out to all the different restaurants.

Does the Brew Hub have any partnerships with other distributors?

PkM: The partnerships are based on the brewery they form those partnerships. So, they decided what those partnerships are going to be. Our role is basically loading the trucks for them, then that truck goes to their distributor and they manage the product from that point on.

When I mention large commercial beers what kind of things come to mind?

PkM: For me their focus is on drinkability. I think about the type of beer they want to make and what type of thing they want to do. They just want to, they’re trying to make a beer that you could drink like 12 of them in a day. You could drink quite a bit of it, and in terms of what we do, craft beer, it’s more in terms of the person that really enjoys different flavors
and tastes of beer. It's drinking to get drunk, but it's more for the enjoyment of beer and ingredients. So, when I think of bigger breweries I think of more of a volume in production, while we are more about craft and quality.

**As a company what would you say are your weaknesses?**

PkM: Probably our biggest weakness so far because we are new is we're kind of like you know a building up here and then there's a brewery then the owners hired like 10 people that all seemed pretty smart and said figure it out. You know we all had a little bit of a background, but when you come into work everyday there's no clear plan of what you're supposed to do. It's a learning process; you have to figure out what to do when you do it. It's kind of like when, if you took a job with somebody like Coors, if you accepted the position of lab technician, well there is probably 50 people like you who work in that building that have held that same title. So, it's clearly defined what your job is, there is a clear routine of what you're supposed to do everyday. While if you took a job here, there was no packaging manager here before I was here. So developing and figuring out what you're supposed to be doing. Trying to help craft beer grow and the company to grow, with that in mind, you you would help the customers do that. The biggest weakness is probably that being so new, we have to learn as we go.

**As a company what would you say are your strengths?**
PKM: We have a type of ownership and people here that help. You know if there is a problem you want to fix it. They really want to make this company happen. So, our biggest strength is probably our desire to make this thing succeed. I have no doubt in my mind that we will be successful because of our ownership and their drive for success.

Respondent: Operations Manager / Brewery Engineer (OM)

**How did you get started in the brewing industry?**

OM: I got involved back in 1995 back when it was still a brand new thing. I came from Colorado and it was kind of one of the starting points of the craft brewing industry. Basically, I begged my way into a keg-scrubbing job in a small craft brewery in Boulder Colorado.

**How long have you worked at the Brew Hub?**

OM: About a year and a half now.

**What is the general goal of the Brew Hub?**

OM: Obviously we're a company and we want to be profitable. Other than that our goal is to create a business environment for our other craft brewing partners to also do well, grow, and be profitable. So, if our partners aren't growing we're doing something wrong.
As a new company what have been some of the biggest obstacle for the Brew Hub?

OM: Obviously as a start up, you’re basically building all of your business processes from scratch. You’ve got all of the technical challenges, new equipment, and new people, with all that we have budgetary constraints. We’d like to bring in 3 or 4 people, who have 5 years experience, but we’re in Lakeland Florida and we have to work with the labor pool that we have. In the beginning we had 5 or 6 months of “whew this was rough”, but now we have everyone trained up to a pretty good point.

In general how has the Brew Hub’s response been to these obstacles?

OM: I think that we’ve been doing well. I mean the resources have been allocated where we have requested them. It wasn’t like a blank check or anything, but we saw that we were deficient in certain areas so we went out and spent 2.5 million dollars on a new can line. So, that’s the recognition of a problem and a prompt response.

How have technical standards affected the Brew Hub?

OM: We’re not quite at the standardization point yet because we don’t have the other facilities. Once we have St. Louis open and the 3rd and 4th one, we’ll be standardized from a machinery standpoint to a degree, the individual breakdowns of all the packaging might be a little different, but we want to try to have common manufacturers, a common set of spare parts for each thing, we might even get into the thing where we have a spare parts database
that’s available company wide so that we are only stocking you know one motor, one gear box, the big ticket items we probably don’t need to stock one for every single brewery, we just have one for the company, and then when somebody goes down, that thing goes on a plane. We have a lot of European manufacturers that make our equipment; it’s difficult to get the parts, long lead; time that shit’s expensive. So, any savings we can do like that by bringing on plant-to-plant cooperation.

**Have you noticed any limitations due to legislation that has affected the Brew Hub?**

OM: Not in my area, you know we had the 64-ounce growler thing that was the latest legislative thing that’s come through. It didn't really have a whole lot to do with the back of the house, that was a front of the house thing. There’s always stuff going through on taxation, more of an accounting issue. Along with the accounting issue, you know we run on alternating proprietorships type of thing, which goes back to taxation and how they break down the volume of the plant.

**What role has collaboration played at the Brew Hub?**

OM: Collaboration with the partners is a little bit of a double-edged sword. You know we love having our partners in, we have seen that some of the smaller guys that grew their business up to a point and they didn’t have the resources to pass that boundary, they were running the processes as best as they could, and then they came into our environment where ... we like to think that we’re at a higher level and we have to drag the up kicking and
screaming to the higher level. Sometimes, they don’t go willingly, but eventually they do.

You know it’s, communication and processes and the distribution of information in a timely manner, in the correct format, so that the beer is made correctly essentially.

**What has been the role of marketing and public communication at the Brew Hub?**

OM: We have an in house sales team; we have a PR firm that we work with who handles our PR releases and social media stuff, you Facebook and all of the media channels.

**Do you think that the Brew Hub has been successful in addressing the previously mentioned obstacles?**

OM: Most certainly.

**How have other people and companies in the beer industry reacted to the Brew Hub?**

OM: The distributors have been great, we have a list a people wanting to come in and brew. When people hear about us and don’t exactly know what we’re doing, they think we’re a contract brewer, which has a little bit of a shitty connotation to it. Once they get to know us and they see what we do, and how we treat our partner brewers it’s all been positive.

**Is the Brew Hub the only facility using the partner brewing method?**
OM: I think we were either the first or the second, but I don’t know exactly when two roads launched, I’m not sure what their business model is, but there’s us, two roads, a guy up in Detroit that’s doing something similar. I like to think that we are fairly unique; the old school contract brewery is not at all like us.

How would you describe the beer industry’s distribution system in your own words?

OM: Certainly the three-tier system has its place; I’ve always felt that if a state has the regulations where they allow limited self-distribution, you help the little guys get to the volume threshold where it makes sense for the distributor to pay attention to them. I worked for a long time in Georgia and it’s a strict three-tier system and you had no choice and there was one customer, which was the distributor, where you were locked in for life. But when you are a small guy who is selling 100 cases per week, the distributor has no incentive to care about you or your brand. Limited self-distribution until a certain volume point is definitely helpful for the little guy. And it’s also great being able to sell on premise here, fabulously awesome. You know being able to have a tasting room and actually selling beer. I’ve worked in places where you can have a tasting room, but it was a freebie, you know you would be giving away product as a marketing expense essentially, but here it is a revenue driver.

When I mention large commercial breweries what kind of things come to mind?
OM: Well as far as AB and Miller-Coors, they’re fabulously good at their job. They’re massively beercratic, they’re just moneymakers. As far as their beer, I mean if you like that style, the quality is top notch. You can’t beat it because they spend millions of dollars on making a quality product, whether or not you like the taste is another point.

**In your opinion what are some of the weaknesses of the Brew Hub?**

OM: We could be better capitalized, that’s always an issue with start-ups. As a start-up we had to reinvent all of our business processes, so we could have made our learning curve a little bit less steep. And of course energy costs, water is becoming a big one as we’ve grown, we’ve grown a lot faster than we thought we were and have incurred some unexpected energy and utility costs. So planning for that and waste water issues.

**In your opinion what are the strengths of the Brew Hub?**

OM: The business model is top notch, the staff is top notch, a lot investment was made on the equipment. So, we’ve got a very high tech packaging facility now to go with our high tech brew house. I think in terms of our geographic area, we are positioned quite well; I think that Florida is a growth market in terms of craft.

**What role has the tasting room and the pilot brewing system played at the Brew Hub?**
OM: The tasting room is for all of the beers that we do, so we sell our partners’ beer, we will bring in special releases from our partners, beer that we have not necessarily brewed here, but special beers from their plants. Then with the pilot system we can do collaborations with our partners, we can bring in a 3rd party for collaboration, but only on tap here. You can get some beers that you can’t buy anywhere else besides our tasting room. Sometimes you would like to brew a pilot batch of beer and split it into three different tanks and run three separate yeast trials, we’re trying to get into the true piloting of raw material testing, you know hop, grain, and yeast testing, that kind of stuff.

Respondent: Cellar Manager (CM)

**How did you get started in the brewing industry?**

CM: I was a mortgage broker for many years and when I would hang out with the fellas we would drink beer. This was back in the mid 90s and it was when the craft beer industry in Florida really started to emerge, specifically Tampa. And I discovered that there was more than just a watered down version of a beer. So, I started hanging out local hops restaurants, local breweries, and it peaked my interest immediately. When I used to go out drinking with my wife, I found myself spending more time with the brew master than I did with my own wife at the bar. I was trying to figure out how to get into the industry. So of course with her blessing and I was still young enough to get into the industry, I started working at hops, I worked with Tampa Bay brewing. I helped a couple of start-ups and fast forward to today at the Brew Hub. So, to answer your question I delved in by drinking beer and enjoying a great craft beer.
How long have you been working for the Brew Hub?

OM: a little over a year, about a year and a half.

In your opinion what is the goal of the Brew Hub?

OM: It’s obviously to help growing breweries that don’t have the resources to go forward, help them get additional exposure to the marketplace. Whereas without the Brew Hub they would not be able to do that. It’s the slogan, where craft brewers go to grow.

What have been the biggest challenges for the Brew Hub as a company?

CM: This is not necessarily a new business model, but it is a new business. So, like I mentioned in the introduction, I have helped breweries start up on a much smaller scale, so there are obviously a lot more complexities involved. One being newness, you’re starting and it’s all green fields. We’re starting with new infrastructure, the culture, little teeny things like what kind of programs we’re going to use to track this and that. You’re just delving in and creating all these things right out of the shoot. One would also hope that this would apply to the new breweries we’re building as well. So, it didn’t come with a template I guess is what I’m saying. The other complexities that come along also come along with partnerships. With this particular brewery you’re not brewing just your own brands, there are several business partners who do know what their culture is, they do know what their
process is, and each individual process does have its own nuances. So, that makes it much more complex. I’ve got this guy’s product and this is how it needs to be handled. Now I’ve got this guy’s product, so the complexities of putting these things together has been quite a challenge as well.

**How has the Brew Hub responded to these challenges?**

CM: Since, I’m the one dealing with them, I would say quite well. I’d say that we’re definitely on the fast track. It’s a very fast paced environment and the Brew Hub is very lucky to have a very diverse bunch that’s working here that is experienced, intelligent, very driven, so this has really taken the learning curve and accelerated it very fast. Of course we’re not all where we want to be, but yeah the people have made a profound difference.

**Can you explain a little bit more about the process of collaborating with partners?**

CM: Well of course this isn’t a social experiment, so we are running a business here, so you do have a lot of complexities that trickle down all the way to the floor, on the manufacturing level, from all the way to the top on the higher level. For instance planning, I feel that our partner brewers have also grown with us as well, which is kind of a unique dynamic, where as the challenges they had on their side goes “we can make enough damn beer” then on the other side of the spectrum it’s “holy shit how we gonna sell all of this beer”? I think that they’re also learning during the whole process with us. So, the dynamic of both of us growing together has been you know, there were a lot of things that I didn’t
expect came up. So, you have that perspective, you have communication, which is critical. So, you don’t have a conference room full of your own employees talking about your production schedule you’re having on Monday, you’re having multiple phone calls with multiple partners. So, just the logistics of having the communication open becomes a bit more complex. So, Monday for instance we’ve gone through at least 2 or 3 production calls, but if the business model was just you, we would be done and we’d be producing. So, communication has been very critical for us. This particular business model is nothing new, the word contract brew has been around, and I don’t know if you’ve gone through our website, but it really is indicative of what we’ve been experiencing here. Here it’s referred to as partner brewing, and I think that it’s more of a mindset, as we are partners with these guys. It’s been great, it’s not just placing an order and here’s your product, it links with that communication. You know this is what we’re looking for, these are the improvements, and so on. We work a lot with quality issues for instance, whereas a particular client may not have resolved, so we’re trying to resolve this together as a team, so we have a lot more minds involved. So, from that perspective that’s been rather unique as well. For me it just comes back full circle, logistics, scheduling, a lot more other dynamics, there are a lot of raw ingredients and packaging materials that you have to buy in bulk. So, we’re not doing a portfolio of 8 beers, we’re doing a portfolio of 60 beers, so you gotta store a lot of shit somewhere, because you gotta buy all these minimums of crates and kegs and so forth. So, from a logistics standpoint it’s a lot more complex as well.

What role have quality standards played at the Brew Hub?
CM: That is another unique thing about this business model in my opinion and where it links with craft brewing. Most of my experience is guys who come in with a very strong passion and skill set on the creative side as they progress and become more educated, quality becomes more paramount. Especially not only when they are selling on premise but off premise as well. This particular business model is really one side of the spectrum and the other side of the spectrum. Where as we’re not the biggest, but we’re trying to marry the scientific side with the creative side. And brew beer with high quality standards like the bigger breweries do, but also to maintain the integrity of the creative part as well. That is the whole thing and it’s one of the reasons that I signed on here as well is can it be done. Can we maintain the creative aspects and marry that with high quality. Every aspect we look at, we look at everything from micros to air pick up, all these things that could potentially have an impact on the beer. We have full specs on everything from IBU content, ABV or course we need to be in compliance with ttb. All these things for smaller craft guys kind of fly under the radar. Really it comes down to repeatability, consistency, and it’s all the things we strive for. You know you have this awesome recipe and can I do the exact same thing again. So, that’s what we’re doing here and so far it’s been fun and it’s been working.

What role has experimentation played in the Brew Hub tasting room?

CM: In my experience the pilot brewing system has been used more to refine our partner’s beer, and we’ve just had only a couple of brands of our own. Kind of a one shot deal and that’s it. And that’s something that I would love to see us do. I can say on one particular
brand that we did for our anniversary, the Umatilla, which turned out to be an awesome beer. It’s a barley wine, which had some candy sugar in it and we also barrel aged it, we put some vanilla and coffee beans in. So, we would definitely like to delve more into that. It would be great for the tasting room, it’s a great way to test the market place to see if it’s something that would be buyable on a larger scale, but above and beyond that it’s just to have fun. But we are just so incredibly busy keeping up with the demands we have from our existing clients that it’s been just kinda been put on the back a little bit. But we want to, we got some barrel racks upstairs plus all the fun things that we talked about doing, but it just got away from us but we hope to do that a lot in the future. The extent of our experimentation has been “I wonder how this would taste in a barrel? Lets throw it in there” so we’ve been doing that. And also like I said with the anniversary beer. We certainly have the experience ad skill set here to do that kind of stuff, it’s just prioritizing it and getting it in.

**When I mention large commercial breweries, what things come to mind?**

CM: Do I have to say them out loud? Well since Budweiser bought everyone how about stop there and just say Budweiser. Yeah Budweiser immediately comes to mind, when you say big commercial I think about InBev of course we can loop Miller into that as well now. And of course I kind of look at them as large commercial but they are considered craft which is Yeungling and I know their competitors and they’re at that level that they are getting close there as well. It’s weird how we throw the word around “big” because we have some great
craft breweries that I would consider big. You know New Belgium, Sierra Nevada, and I could go down the list of a lot of guys that over the last couple of decades have gotten there.

**As a company what are the Brew Hub’s weaknesses?**

CM: Well I think we touched on some of those weaknesses already from a logistics standpoint. Having multiple partners and the logistics doesn’t make the company as nimble as it could be. I think with time a lot of those things can be rectified, but yeah it’s just that the company seems to have more obstacles. It’s a new company and that’s a huge obstacle in itself.

**What are the biggest strengths of the Brew Hub?**

CM: The people are an excellent asset that is helping to catapult this to the next level. The people are driving the process also. I’m just gonna have to rest on the people for now.

Respondent: Business Manager (BM)

**How did you get started in the brewing industry?**

BM: I was looking for a new job, it’s about as simple as that. I was looking for something fun and different to do; I was looking for big companies. Lakeland has a lot of bigger companies than where I live, about 30 minutes away and so I found the Brew Hub. I applied and here I am.
How long have you been working for the Brew Hub?

BM: Since last May, so a year and a half or so. So, all us managers have been here about a year and a half, the 8 or 10 of us.

In your opinion what is the goal of the Brew Hub?

BM: The goal of the Brew Hub is to, I mean our slogan is “where craft brewers go to grow” and I really do think that we take that to heart. So, I think our goal is to help expand smaller breweries’ production to help them reach new QC (Quality Control) levels they aren’t already able to reach on their own and to expand into greater markets as we do with a number of our partners and to be partners and not just contract brewers with them. Because a lot of them get the run around from contract brewers that say “send us your recipe and well brew your beer” and here as we discussed earlier you can be as hands on as you want to be. You can come visit, brew with us, and test with us, etc.

In your opinion what have been the biggest obstacles for the Brew Hub?

BM: I think that there are a couple different ones from different standpoints. In the tasting room it’s been trying to get the locals on board. It’s not that they don’t want beer, but a lot of the stuff we do caters to the big cities around us. So, we’re trying to get more local involvement. From the brewery side and back of house I would say, getting our partners to
be willing to open recipes and stuff to us is obviously an obstacle because that’s their baby, that’s their bread and butter that they’re handing over to us. It’s not a concern about us leaking information I think it’s more that “we need to be fully involved in the process” so being up front and having specs to actually follow, which a lot of folks, we get stuff written on napkins and cardboard sheets, there’s no formal set up in the beginning. So, we’re still working on that with people, where we have to have this spec approved before we’ll brew a type of beer. Because then they’ll come back saying “oh you should have dropped the temperature mid brew and that’s why it got screwed up”. From a packaging side that’s also been equipment. Being a startup we didn’t have the capital to go for the biggest and newest stuff across the board, some pieces were and some weren’t. In the can line really, I can say it did us in because we’re still surviving, but nobody expect to have to purchase a new can line as soon as we did. So, I think our vendor in that respect living up to its promises and the machine actually being able to handle our capacity, which it could not. So, whether they oversold us or we just thought that we could get by with it, I’m not sure, but it was a challenge.

**How was the Brew Hub’s response to these obstacles?**

BM: I think that being that we’re still here and we’re brewing and getting good remarks from our partners. I think that leads to generally that we reacted well, you know there are bumps in the road and hiccups, but we haven’t lost a partner or anything. So, they understand the struggles, they have some of the same pieces and that’s why they haven’t expanded at their own locations, that’s why we’re here. Because it’s a big ugly beast to
tackle, a 100-barrel brew system. So, I think that they have been really accommodating and understanding as we've kind of worked through that from our end in the QC and specs, we've been much more adamant on our part in setting up formal spec sheets, up front on brewers and who needs to sign off on them. It can't just be Joe Shmoe at the brewery or if the head brew master says one thing and Joe Shmoe brewer says another thing we need to make sure that we are all on the same page before we brew. So, I think that we've done well in trying to formalize things, we try not to be corporate, but there are aspects of corporate that have to come into play when you're talking about 100-barrel batches that cost thousands of dollars. Then equipment wise I think that we recognized that it was a huge issue for us and we were able to secure more capital and get the can line up and running. So, that's been an amazing month and half to deal with. And our partners understand that because they themselves deal with equipment issues.

What role has collaboration played at the Brew Hub?

BM: There are a few different ways, we've you know, at Cigar City he was very anti contract brewing and he hadn't found the right person to work with because of what I mentioned earlier just a lot of people are like “send us your recipe and we'll go” so I think that we've been able to open our doors and be what Tim likes to call it... a B&B with beer and business. We'll do as much or as little as you want and that's why we offer that. Because some folks like Cigar City, they don't need our marketing help, they don't need our sales help, they just need more beer. But then some folks like golf beer co and OBP (Orange Blossom Pilsner), well not OBP so much, but golf beer they need our help actually
marketing and getting their product out there. So, collaborating with our partners can be in a wide range, but we try to be truly a partner and not a contract brewer, which some people are for that and other people shun away from it just because it’s so cold if you will in terms of relationship.

**What role has marketing and public communication played at the Brew Hub?**

BM: In terms of public communication the role is very minimal. I say that because we use a PR firm out of St. Louis so since corporate is out is St. Louis they use some of their AB friends who have their own PR firm. I think marketing in general; we do some things really well and some things not so great. I think the PR firm is good for us to get our brands out there they hit the big stuff. Bloomberg came out and they did an exclusive story with us right when we opened up. So they got those big ticket... because they’re thinking much more grander scale across the US than we have. What I think a lot of us on site wish we had more control over and flexibility on is the local side of things. Where we are, I’ve lived here for four years now, I’m from Orlando, so not far, and it’s a small town. They want to be included, everything is for the locals by the locals and the Brew Hub is definitely looking for the big US scale. So, I think we can do a better job of reaching out and that’s something that a lot of craft brewers do because they’re small and they don’t have the capital and expenditures to go far beyond their means and far beyond their cities. So, I think that we are little behind on that because I think that is huge for craft beer, is being local, local, local. Saying I got my little local pub, gastro pub, or brewery, or place to go to.
What has the Brew Hub specifically done to reach out to the local community?

BM: Not a lot, well I can’t say not a lot because it’s not true. We joined the local chamber of commerce, we’re going to be joining the Lakeland economic development council, which those get some of the higher up folks that come in but then those trickle down to the smaller groups. We’ve had events for United Way, the Junior League; we’re doing a veterans day celebration and inviting some local vets to come. So, we’re trying to get to that point where we are much more in tune with locals. We hire local bands that have followings to come and play in the tasting room, so in that respect yes. Then for all of our beers it’s very convenient that Publix, which is a major grocery store chain, the headquarters is five minutes down the road from us, so that’s been a big push for us to try to get into Publix and we’re doing well with that and they’re right down the road. So, we’re in all the stores locally which is nice because people see our beer out and about. Because when we ran a July BOGO sale to try to work with Publix, all of us put it on Facebook and all of our friends across the state were like “mine sold out and I’m in Miami or near the panhandle” so, we are trying to do local stuff and Publix does go a little bit farther. Also the Harbinger Fest, for our one year anniversary was good, you know it was decent for our first year and I think that it’s only going to get better, but I think us reaching out to these local groups is much more where we are headed in my opinion for local stuff.

Since addressing these obstacles, have you noticed a change in the way things are done?
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BM: We had a local Lakeland brewery start up just down the road called Lakeland Brewing Company and many people get us confused. Which is ok for us big guys but not so much for them because they are much smaller scale than we are, but I think that this area needs this. So, I think that we’ve just been helping get the county up to speed. Maybe it’s not so specific to Lakeland or the city, but you look at Tampa just down the road and they are becoming a little craft beer mecca of the southeast, just like Asheville. You have these pockets, and Tampa is becoming that and we are just another extension beyond that, and even Orlando has a ton of brewing. So, that’s how everything goes with us, we’re in the middle and it takes a bit for stuff to get to us, so I think that we are help prove that there is a market for it in the area.

What role has lobbying and standardization played at the Brew Hub?

BM: We keep our hands out of that pot; I don’t think that corporate wants to go that rout. We were excited when the 64-ounce growler got approved, but that was everybody in the state of Florida because we were the last state to get approved for it. We didn’t lobby for it at all; part of it too was I think that our corporate team is all ex-Anheuser-Busch guys, they played that game for a really long time, but in my opinion we do need to separate from that because when people hear that we’re run by Anheuser-Busch people as say “oh you’re big beer”. And a lot of craft people don’t like the fact that we’re doing this at this grandiose scale so quickly. So, I think that it’s best for us to steer clear of that. Plus if we have five facilities across the country, every state has different laws, so us backing something that
may pertain to here may be a bit difficult, so we haven’t hit any lobby or political game or anything like that.

**Do you know of any other facilities using the partner brewing system?**

BM: No, contract brewing has been around forever, not forever but for a long time, the packaging manager used to work for a contract brewer. I used to work for a fruit company as a fruit broker and we used to sell fruit to liquor companies, they would say “I make this great vodka but I need someone else to package it for me” so in general that kind of concept has been around. Partner brewing is a bit more in depth it is on the up and up and a new thing. I believe that there is somebody up in the northeast, and I can’t remember who it is, something like two roads, and they do something kind of like partner brewing. So, the concept in its entirety isn’t brand new, but the hands on aspect and truly reaching for the smaller craft brewers is a newer aspect in my opinion. And in my opinion and everyone else here who got behind it, there is clearly a need for a middle ground between contract brewing and brewing on site. The hands on, the QC, the more close knit relationship as opposed to strictly a business relationship is needed. There are others that do something similar, but no one does exactly this model.

**Have you noticed any change in how companies operate in the brewing industry?**

BM: We have changed some stuff for them. Like OBP only did bottles and draft before us, and when they switched from Thomas Creek in South Carolina down to us, they went to
cans. So, that was a switch for them, and craft brewing is heading towards cans. That’s been kind of the latest and greatest, and it’s funny because for a while bottles were the thing and now it’s going back to cans. QC wise it makes a lot of sense honestly and again given our area you’re out by the beach, the boats, and the pools and you can’t have glass in those places. So, people love it because it’s just more convenient. That was a big switch for them, and another one of our partners is switching to cans at the end of the year, so we’re making those changes with them, it’s not necessarily because of us, but it’s because they want to. So, we’ve helped them to expand beyond those means for themselves and it’s not just changes with the company directly but more with the quality of their beers. The consistency factor, the quality I find for some people, we’ve gotten responses that this (Brew Hub Beer) is better than what we brew here, or this is the best batch that we’ve tasted in a while, we get those kind of comments. I think that plays into our brewer’s skill and the QC side that we can monitor every step of the process, which they are not able to do.

How would you describe the beer distribution system in your own words?

BM: It’s pretty simple, minus our own stuff, it’s very basic. We tell our partners what product they have and they send in distributors to pick it up. At my previous two jobs I dealt with freight companies constantly, picking up loads, planning loads. Here it’s quite simple in that they have to tell distributors that we’ve got these 200 kegs and we’ll get orders back from the partner saying that “we want 20 to go here” and they load up the trucks and they go. So, that sense of it is quite simple for us, we don’t have to run a full
logistics side of things. Logistics within our own warehouse yes, but not logistics
networking with freight companies. We do periodically, but not much. Same thing with our
own beers because you have to go through distributors. Since we can’t sell directly to
anybody, we get trucking companies calling all the time, but we say that you have to go
through a distributor. We are not a distributor, and with the way the state of Florida laws
are now you can still sell out of your tasting room, there was a chance that was going to go
away when they were try to pass the 64 ounce growler law, they had some big hubbub
about if more than 20% of your sales goes towards the tasting room you would have to sell
it to a distributor and buy it back, which is absurd. It was big companies like AB, they have
a Jacksonville plant, that was pushing for that and everyone was like “that is completely
absurd”.

When I mention large commercial breweries what things come to mind?

BM: They have their place, in my opinion; you know I wasn’t in the beer industry I loved
craft beer, but I like beer in general. There’s a time and place for it, that’s what I say. When
we’re out on the boat on a lake we’re not going to be drinking 10% or 11% amazing craft
beers I want just cool light nothing beer. That’s why we have key billy and some of the
session beer that we do. It’s amazing to see these big ABInbev and Miller-Coors mergers
happening, that does make me concerned because then you could have just one large
massive beer corporation. They’re trying to play the craft game and are gobbling up smaller
craft breweries and I think that its unfortunate in a sense that it’s great for the craft
breweries because they’re able to make a ton of money and sell out, but I feel that there is
almost a divide happening amongst craft brewers because they’re “selling out” essentially. So, I feel like they get a bad rap, but if you’re in the industry and that’s your livelihood that might be the best thing for you. To me there OK, some people around are like “I’m not drinking that crap”. In my opinion they’re necessary, not everyone likes it. I can’t tell you, I don’t know if you’ve ever heard of a restaurant call the Brass Tap? Or like World of Beer? There’s one here in Lakeland and one of our bartenders came from there and literally I think she said that 60% of the sales at Brass Tap, which is known for “300 beers on top we got everything imaginable”, 60% of their sales still come from Budweiser and Coors light. We’re in Polk County, we’re in a kind of redneck area of the state, people still walk into the store (tasting room) and say “can I just get a bud light?” and we say no that not what we do here. I think it’s necessary, not everyone has the palate for it or the desire for it, it’s just like wine sommeliers, not everyone needs a 100$ bottle of wine, sometimes people just want a 5$ bottle.

**What have been some of the biggest weaknesses of the Brew Hub?**

BM: It’s difficult because I can’t say that they’re weaknesses, it’s just that we are so brand new that we just had a huge learning curve. So, I can’t say that they’re weaknesses to extent, but most of my complaints come from, I cant even say poor planning because how do you plan for a 20 to 25 million dollar facility when its never been done before. So, we should have put more storage in here, we should have thought about bigger bathrooms, more offices, more fermentation tanks, better can line. But again when you’re trying to sell a whole brewing network for millions of dollars, it’s like any budget, you’re going to
overshoot it by 20% regardless. In that respect it is a weakness for us because it did put us down in the can line, we do have bottlenecks on the brewing side now. Our QC has been kind of hit or miss a lot of it is due to the can line, so now it’s much better, but for a while that was kind of an Achilles heel for us. We brew this great beer and them the seams would break, we’ve had to do some recalls. One of the weaknesses too is that some of the partners have been brewing their beer for ages and like OBP, you know they brewed it at another facility for years and they did it in bottles, you switch from bottles to cans and you get slightly different profiles, it changes the beer, it sits differently, different light exposure. So, struggling though some of that has been a challenge and to get our partners to recognize that right off the bat “oh sure the coconut is going to cook perfectly for us and we’re gonna make it and it’s gonna be great“ you know we’ve had some recalls and issues with that. Another weakness too is, well maybe more of a challenge, one thing we’re trying to push with our partners is to brew bigger batches. Because for us we want to max out our capacity as much as possible you don’t do that with 100-barrel brews, you do that with 300-barrel brews. So, when you have people like BJ’s who have 8 product lines and you need to keep that all well stocked they’re like “well we’ll have 100 of each of them” that’s not efficient for us. Also people have been an interesting struggle, and not because they’re not great, but we’re new to the city so, we don’t have a big backlog of brewers to pool from. HB came from Pennsylvania, OM came from Puerto Rico, PM is from Georgia. We had to pool from elsewhere because we don’t have the brewing talent locally to pool from. And then the money side as well, just being able to maintain that level has been a challenge. When you have places like amazon down the road paying 20$ an hour it’s hard to compete with, people do it because they love the beer.
What have been the biggest strengths of the Brew Hub?

BM: I think that our openness with our partners is a huge strength, that’s what they signed up for and I feel like we are able to give that to them a lot. We weren’t quite so transparent in the beginning because we were working through our own problems and it’s kind of hard to go to them and say “hey we screwed up this 100-barrel batch who pays for it?”, you know those kind of things. But now the reporting we do for them, they get to see all of their spec sheets and production logs, brew logs. We’re very open with them and I think that is a very big strength because you can’t have a successful partnership. That’s why they don’t do contract brewing because they don’t offer with contract brewers, where we do.

Respondent: General Manager (GM)

How did you get started in the brewing industry?

GM: It’s really unique, I’m actually what they call a dinosaur when it comes to the craft beer world. I started brewing in 1994 in Toledo Ohio for Maumee bay brewing company. Actually my college roommate, his parents decided to open up a micro brewery in the warehouse district in my old birth town> I never had any desire for it, ever had an information, didn’t know anything about it, but one fun summer my college roommate’s sent he and I to California to “brew school” for a summer. Where we trained under a gentleman who was soon to be our head brew master. So, he came back that following fall and we opened up a microbrewery called Maumee bay microbrewery, which is still in
existence today. So, that is how I was initiated into the industry, then from there I developed a love and passion that come with the mileage and the experience, then from there the food and beverage aspects of my career were developed there too. Because that facility also housed a brewpub, a prime chophouse, and an event center. So, all of those things, I was kind of born into it, but it all started with beer. It was really cool and amazing, pretty much it was a whole bigger than a city block river front property that this family developed, and they built condos, and they built the brewery, and they built multiple restaurants inside this thing, and giant events hall where weddings and receptions and things of that nature were held. So, I got to really learn all the aspects of the business of micro brewing and food and beverage in one whack. So, I was thrown into it, and we tried everything possible to ruin this thing because we were kids in our second year in college and we were really trying to find our way and have fun. And of course we loved the beer part of it and when we became pretty good robots that could disseminate the information that was taught to us, but the passion came over time.

**How did you get started at the Brew Hub?**

GM: Well the Brew Hub, really interesting, I was a general manager for our biggest partner, Cigar City brewing. So, I developed the Cigar City brewpub restaurant through my relationship originally as a brand ambassador with Cigar City and I was an independent consultant for Cigar City and then from there I developed a relationship to build and do our own brewpub. We had a little small 10-barrel brewery there and I had an opportunity through some good successes there and when this partnership had been discussed through
the owner of Cigar City brewing, Joey Redner, and our CEO and founder, they came and talked to me one day and said that they wanted me to be part of it. As Cigar City wanted to have someone who was familiar with their brands, understanding of their culture, and be a representative in this new business endeavor. So, I’m the link between the two the person on site. So, in the beginning Cigar City was about 80% of what we were doing here and that’s what was represented in the tasting room. So, somebody that could really relate to that business, and that company, and that culture, and know the brands, and help teach that to our brewing team, our executives, our taste masters, and as well as the public. Some people really called this Cigar City east when we started because that’s pretty much all we had here was Cigar City products. Which was a good thing because with them being very popular in the area and the region, it really helped with our takeoff.

**In your opinion what is the goal of the Brew Hub?**

GM: It’s exactly what the motto says it’s where craft brewers go to grow. It’s an opportunity to provide up and coming and fast growing craft breweries an opportunity to expand on the production that they’ve likely already maxed out in their current facilities. Now that they have a demand that they can’t meet on their own, they can come to Brew Hub, increase their production, with no capital risk. So, it’s the ultimate business plan for small companies. You have the opportunity to come us state of the art equipment, top-notch talent and experience, and an environment that often times we hear from our brewing partners who have fantastic companies and have done great for themselves that their biggest fear was that we would make their beer better. In some instances it has come out
that we were able to do so and continue to do so. So, Brew Hub would not only increase your production, but make your products more consistent, the QA level is higher, and so the overall goal is to be that place where you can have that growth without the capital risk exposure.

**What have been some of the biggest obstacle for the Brew Hub?**

GM: Anytime you’re brewing new, even if you’re brewing on the same size system and you go to a different facility, there are different anomalies that pop up that make your beer just a little different. They say that every brewery has its own distinct taste or its own distinct smell and when you are brewing for so many different partners, and our partners California, Iowa, and North Carolina, Florida, and several different areas. So, when you have those variations there is a little bit of learning curve to figure out how do we dial in on these particular products each and every time. One way we were able to do that is through our yeast propagation program. That’s where we are able to pitch the same yeast strands from previous batches in an effort to maintain consistency and similarities through the same batch of brands that we’re brewing at another time. A lot of breweries aren’t able to do that, especially the smaller ones don’t do that. So, that’s a bonus in terms of the constancy here. Our water program is major in that regard, we’re able to match the original water sample from the original brew location and treat our water from our well, whether we’re deconstructing or building up the mineral content to match the water of the original brew source. Again with water being the biggest ingredient in beer, being able to start and have a consistent product. So, dialing those things in definitely took a little bit of time, but
we're really one of the fastest growing breweries to exist. When you look at our amount of production in our first year, and how we've been able to increase the brands of our partners as well. So, there are many good things about it, but we've definitely had a few bumps in the road. Changes in the equipment, wishing we had more space. From a packaging side, learning that we didn't have the quality equipment that we needed to keep up with our volume demand. So, we had to replace the canning line, to keep up with those demands, and to reduce our errors as we were producing faster and faster, and more in our bottle filler. So, what a great problem to have, and if we had known where we are today, we probably would have doubled the size of our facility. It had never been done before, a zero existence business model. At the time that we had really started we had two partners, and strategically they were two really important partners, we had BJs restaurants who has over 170 store across the country, but they weren't in a position to edify our niche market needs if you will. Cigar city was able to do that for us being one of the fastest growing craft breweries in the country, with high-end respect, and on ratebeer.com 13 of the top 50 beers come out of Cigar City alone. So, with Tampa Bay being one of the fastest growing and largest market regions in the country as well as Florida being that state, the timing was perfect. So, we had an opportunity to lock-in with two good partners there, but from there we really didn't have anything secured. We talked to a lot of people, but as far as signed contracts, those came later and are still coming.

What role have you played in partnerships at the Brew Hub?
GM: I have helped provide some awareness to particular breweries that are rising in the marketplace. Having been somewhat of a beer snob and being a representative in the industry, I have a personal relationship with a lot of these smaller guys that are up and coming. They now have reached point where they can’t keep up with their demand or their production levels. So, I’ve definitely sent in a couple of emails and shoved a couple of business cards under the table, but officially I wouldn’t say that I brought any particular brewery to the table. But again my relationship and my experience in the area, when we started I was the only one working in this area. I know who’s hot, I know what sells, I know who’s got the quality product. So our executive management team has definitely sat down and listened to me on some of those points.

What role have you played in the Public Communication side of the Brew Hub?

GM: I’m probably one of the main sources when it comes to media when the media comes in. Before when this was a dirt field, when we were still in the design and development phase, I was the person working with the economic development community and the different chambers. As we started to develop and build more of an executive staff and I was focusing more on my particular area, I’ve stepped back a little bit from that. But as far as events, I am the go to source, if you will the brand ambassador. And we’ve gone out and developed a good team in my stead.

Can you explain a bit more about the brand ambassador role you play?
GM: Well you know, it's not an official role that we have, it's just for every person that we've hired in the tasting room, the tasting room is first and foremost area where people find out what the Brew Hub is. No one really has a clue, you might have seen a news clip or something on CNN or the golf channel or something of that nature. But when you find out about brew hub, you walk in this front door. And most people come in here because they think we are a homebrew supply company or a distributor of some sort, or a subsidiary of Pepsi or some of the other things that are in this area. They come in and find out that we are a partner brewer they say what is that and I've never heard of it, they think we're a contract brewer. So, my people and me are the ones who get a chance to tell the story, we're the first and last point of contact even for the partner brewers who come in for a tour and even potential partner brewers. When people come to see the facility we're the first people they see and the last people they see. So we often times get to cultivate that impression. So, when I say brand ambassador we're also the people that represent the company outside at events. So when we go to other events like beer festivals or things of that nature we're the people that represent our company and our brands now that we have our home brands, we didn't have a sales team until very recently. So again when we call them taste masters, we call them taste masters for a reason because they're not food deliverers and drink pourers. Although they may do that as part of their operation, that's not their main function and focus. So we use that as an opportunity to help educate and compliment and enhance the craft beer culture in general and that's a big role for us. Every single one of our taste masters have to become cicerone certified within the first 90 days, and cicerone.org is a nationally recognized accreditation for craft beer knowledge and expertise. So officially last time I checked there are only 9 master cicerones in the world
and we have a couple certified level cicerones here. But it is required to work here to go through the certified beer server cicerone and that’s understanding all about draught and tap systems, understanding about the brewing process, ingredients, how it’s made, different conditions and how it affects it, different styles and their variations, and things of that nature. So, every person you talk to in there can also give you the schpeel, and they become a brand ambassador because they can tell you everything about the equipment, everything about our process, and often times they know more about the partners that if you were to walk into the brewery themselves (partners who come to brew hub). So we offer a different level of education, we also offer a higher level of compensation than industry standard because we do require that. And require them to be able to create that experience, so we’re not selling beer here we’re selling experiences. So, that is the main focus of what the taste masters do. So that is how we differentiate ourselves from the typical taproom or tasting room type of environment.

*Since addressing these obstacles, have you noticed a change in the way things are done in the industry?*

GM: Well there is definitely a change in attitude. Contract brewing was bad word in the industry. Especially for a person like myself, when my previous employer, the owner of Cigar City, came to me with this opportunity I don’t think he even got it out of his mouth and I said “I’m not interested”. He said “come on let’s talk about it” and I said “I’m not going to work for a contract brewer, it’s not who I am, I love my job here, I love this company, this is my family” it felt personal because I had built niche there. So, I wasn’t interested in the
Brew Hub at all. Honestly after meeting the CEO and I had the opportunity to hear his story and what his vision was, it made me starting thinking from a different perspective of what contract brewing is. Then having the opportunity to help paint the picture of what it was going to look like from the public side and myself, I was willing to take that chance. I’ve definitely seen a change in the climate, like we just had a big festival this past week, which was a Shelton brother’s festival of international breweries as well, some of the international breweries were represented from the Netherlands to Denmark, to England. And some of the heavy hitters from Cantillon to Mikeller. But the conversation changed because I spent my first year defending who we are and what we are doing. When I wore the shirt I was prepared for the jabs “oh wow a traitor” or “that’s what you’re doing now? Really”. I spent a lot of time dispelling the myths of who we are and what we were doing and what it’s all about. Now it’s more “hey man do you have any more capacity?”. Now there is a more “how can we get into this opportunity” vibe in the industry. I think one of the things that changes it the most is the fact that when you partner with the Brew Hub, this becomes your brewery too. So, you’re actually able to come brew in our deck yourself, you and your team get on the deck, you’re using your ingredients, your product, your cans, your bottles. We’re just providing a state of the art facility and some knowledge to back you up. It depends on how much you need from us, if you need help with distribution or sales, we’re willing to help you. There’s different thinks we can do like brand development. If you just want to get more product out to your distributors, wholesalers, or retailers then we can assist with that. So I think that it changes the whole perception because you can come here and brew on our deck, you can be involved as much as you want to, some of our partners are more engaged. You know Cigar City is here several times a week, our farther
off companies are a bit less engaged, but they’re more engaged when we are developing the consistency stage of a product. So if we’re brewing one brand for toppling goliath, they’ve brewed it with us 10 times, now they feel very comfortable and don’t need to be here. So they’ll step away and now we can brew their product. And they can also control or monitor every stage of the process remotely, because we are one of the first fully automated remote control operated breweries. So, you don’t have to shovel grain anymore or malt, it’s brought in through a conveyer belt and we worked with Siemens and developed a program that helps monitor everything and where you can change the temperatures of the tanks, transfers, and all these little things. So, literally our partners can do this from their desktop, their laptop, their tablet, it’s a really cool aspect of what we do. So you’re involved as much as you want to be. So now there’s a lot of scuttlebutt about “how do we get involved now “and our waiting lists have changed from “who do we call” to “how do we decipher which ones are going to do best”.

So the big difference between contract brewing and partner brewing is the level of involvement?

GM: Well yeah contract brewing is, you send your specs, we make your product, and your distributor picks it up here.

What kinds of things come to mind when I mention large commercial breweries?
GM: Gangsters, Bullies, that’s probably because I never worked in that realm. The CEO and founder and a lot of the staff have worked in that realm and probably have a different perspective on it that I do. But I think that there’s this need to cripple the growth and the attempts of doing so, like when they try to buy up other craft breweries or control the distribution channels. And the numbers speak for themselves, we’ve seen how much the growth has eaten into their market share, it represents billions of dollars at this point. So, I mean I’d be concerned, if I made pencils and all of a sudden no one wanted 25% of my pencils anymore I’d be concerned about where my business was headed. So, especially I had been around controlling the market for the last 70 or so years and getting away with making the same beer and calling it different things for that long. But they’re also the most successful and the most consistent breweries in the history of the world, they’ve taught people a lot of things. We wouldn’t know anything about refrigerated transportation vehicles if it weren’t for people like Anheuser-Busch. Different methods of maintaining consistency, they have paved the way and you have to respect that. It was a great American frontier and it is no longer, so that’s another aspect of these companies that have been bought out. When you think of America, you pay attention to the commercial with the cowboy and the Clydesdale, those are American things and these aren’t American companies anymore. When you talk about the loss of jobs and the things that it’s done to people, jobs were wiped out with the changes. I know that automation had a bit to do with it, but with the need to buy out and focus more on international aspects, it has hurt people and regions of the country that have depended on it. So, that the nature of the beast, when you’re the big guy on the block there’s always someone trying to pull the rug out from under you. And you also get comfortable, you feel like you don’t have any concerns or
anything to worry about. I know that some of our executive team was encouraging their
bosses at Anheuser-Busch to move towards the craft segment 10 to 12 years ago. They said,
oh no we’re not going to do that, then five years ago they started to see chunks coming out
of their market share, then they said we have to do something about this. Then they ended
up selling to the Belgian InBev Company.