Institutional Entrepreneurship, Market-Making, and Interaction Dynamics: A Case Study of the Ontario Craft Brewing Market

by

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Abstract

This thesis examines institutional entrepreneurship, market-making, and interaction dynamics in the case of Ontario’s craft brewing industry. It identifies the presence of institutional entrepreneurship in the industry, and shows that institutional entrepreneurs have mobilized resources to dislodge existing practices, and create new or change existing institutions in their interest - a novel conceptual contribution to the economic geography literature. Moreover, this thesis describes some of the ways that actors in and/or related to the industry have made a market for themselves, despite competition from much larger firms in an established market. The identification of institutional entrepreneurship as a market-making process in the industry presents a more complete explanation of the industry’s development than previously offered in the craft brewing literature, and the synthesis of these processes, using a relational economic approach, contributes to the economic geography literature.
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Appendix 1: Interview Guide
1 Introduction

As in many industries, in response to increasing globalization over several decades, firms in the brewing industry have sought to merge with or acquire other breweries to bolster or increase their own competitive advantage. For most of the 20th century, the number of local and regional breweries around the world fell, and the industry became dominated by large multinational firms, or ‘macробreweries’ (McLaughlin, Reid & Moore, 2014). For example, whereas there were 1,816 breweries in the U.S. in 1900, only 89 remained operational by 1978 (Brewers Association, n.d.). Further, between 2003 and 2013 the global market share of the top ten brewing companies in the world increased from 43 per cent to 65 per cent (Boesler, 2014).

However, since the 1980s, many new small breweries, alternatively called ‘microbreweries’ or ‘craft breweries’, have opened: between 1980 and 2015 the number of breweries in the U.S. increased from 90 to 4,269 - all related to the growth of craft breweries (Brewers Association, n.d.). Despite being in competition with larger firms with more resources, craft breweries have managed to develop a strong and growing market for themselves. This project examines how craft breweries are developing their markets.

A major reason why breweries sought to merge with or acquire other breweries is that firms in the industry can realize significant economies of scale as their production levels increase (Flack, 1997; Howard, 2014). At the same time, in their efforts to maximize scale economies, breweries found that they could increase efficiency by brewing beers with more homogenous flavour profiles. By the 1990s, Scherer found in double-blind studies that at least 90 per cent of all consumers could not tell one conventional lager beer from another (1996 in Choi & Stack, 2005). However, beginning in the 1970s, with the Campaign for Real Ale in England, and shortly thereafter along the U.S. West Coast, a small subset of consumers began to look for more flavourful and diverse beers (Acitelli, 2013; McLeod & St. John, 2014). In response to the lack of choice that was available, some dissatisfied consumers began to brew their own beer at home for themselves and friends. Within a few years, a handful of these homebrewers had started small commercial operations: the first microbreweries. In contrast to the trend toward firm amalgamation, and macrobreweries’ industrial production scales and product homogenization, microbreweries used traditional brewing methods to focus on small scale local production of unique, high quality, full-flavoured ales and lagers – ‘craft beer’.
Although there is no universal definition of a ‘craft brewery’, the one applied by the Brewers Association (BA) - the industry organization that represents and promotes the 4200+ craft breweries in the U.S. - is the most widely cited in the literature. The BA (n.d.) has set three criteria that must be met in order to be considered a craft brewery: small, independent, and traditional. First, to be considered small, a brewery must have annual production of 6 million barrels of beer or less (the metric equivalent of approximately 7 million hectoliters). Second, a brewery is independent so long as less than 25 per cent of the brewery is owned or controlled by an alcoholic beverage industry member that is not itself a craft brewery. And third, to be traditional, a brewery must have a majority of its total beverage alcohol volume in beers whose flavor derives from traditional or innovative brewing ingredients and their fermentation. The third criterion is intended to exclude breweries that rely heavily on adjuncts, which are inexpensive, inferior ingredients such as rice or corn, which macrobreweries often use, that reduce a beer’s flavour profile.

There are several other characteristics that are commonly attributed to craft breweries in the literature (see Calagione, 2011; Acitelli, 2013; McLeod & St. John, 2014). First, craft breweries almost exclusively start with low production capacity, usually on a shoestring budget, and typically have a limited market reach nearby the brewery. In combination, these factors often lead to meager profit margins, and even then, often only after many years of operating at a loss. Second, in the early days of craft brewing, many of the brewery founders and brewers entered the business with little or no commercial brewing experience, though homebrewing experience was quite common. It is more common today for brewers to have either commercial experience or formal training (in addition to homebrewing experience) given the number of spinoffs and increased institutional support that exists for the industry, but it is by no means rare for them not to. Third, brewery founders are also often described in the literature as individualists who intend on building their own businesses and creating their products as they saw fit, whether through means that were conventional for the brewing industry or not. In fact, as described above, the craft brewing industry in general appears to operate along lines that are inconsistent with the traditional brewing industry business model. Perhaps because craft brewers came from outside of the industry, and possibly due to craft breweries’ unusual operational characteristics and lower sales (and profits), the macrobreweries seemed to disregard for a long time the potential threat that craft breweries posed to their businesses.
In any case, craft brewing is now an established and growing industry across North America, and it is eroding the macrobreweries’ market share. In 2014, U.S. craft breweries accounted for 11 per cent of sales by volume, and there were $19.6B USD in craft beer sales of $101.5B USD in beer sales overall - nearly 20 per cent of overall sales (Brewers Association, n.d.). U.S. craft breweries’ sales growth is also outpacing that of the macrobreweries’: in 2014, overall beer sales by volume increased just 0.5 per cent compared with 17.6 per cent growth for craft breweries (Brewers Association, n.d.). In 2014, the Liquor Control Board of Ontario (LCBO) noted that the craft beer segment represents a strong growth category: sales of local craft beer grew to $50.2 million CAD, up nearly 27 per cent over the previous year, while overall beer sales were $945 million CAD, representing an annual increase of only 2.4 per cent. In the fiscal year 2013-2014, craft breweries accounted for 5.3 per cent of overall beer sales in Ontario (LCBO, 2014). In combination, these few figures show that craft beer is increasingly popular with consumers compared to conventional beer.

The craft brewing industry’s current market standing is the result of intermittent growth over several decades, most of which has occurred in recent years. Prior to 1976, only one example existed in North America of what might be called a craft brewery: Anchor Brewing Co. in San Francisco, California (Acitelli, 2013). According to figures compiled by the BA (n.d.), the number of breweries¹ in the U.S. grew from 90 to 247 between 1979 and 1989, and then expanded rapidly to 1566 breweries by 2000. There was a decline in the number of breweries through 2006, to 1460, followed by another period of rapid expansion through to the present, with 2,033; 2,456; 2,917; 3,722; and 4,269 breweries in the U.S. in each year from 2011 to 2015 (BA, n.d.). The first Canadian microbreweries opened in 1984, Granville Island Brewing in Vancouver, and Brick Brewing in Waterloo, Ontario (Sneath, 2001). Unfortunately, there is no source available for the Canadian brewing industry that is as authoritative or complete as is the BA’s data for the U.S. However, the literature (see Sneath, 2001; McLeod & St. John, 2014) indicates that Canadian Craft breweries experienced a similar pattern of slow growth, rapid expansion, decline, and rapid further expansion as did their American counterparts, and at

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¹ Although both macrobreweries and microbreweries are included in this count, macrobreweries in North America have only continued to merge with or take over other breweries; the number of macrobreweries has not increased, and may have decreased - all growth in the number of firms has been from microbreweries opening up.
roughly the same times, albeit with far fewer total breweries. By the end of 2014, there were 520 breweries of all types operating in Canada, over 70 per cent more than in 2009 (Beer Canada, n.d.). A final note to consider is that the above figures do not account for industry mortality; it is likely that far more breweries opened during this period than is indicated by the annual totals. While there are now craft breweries open in every U.S. state and Canadian province, the industry’s current pervasiveness and popularity is the result of fitful growth over nearly forty years.

While the craft brewing industry has grown to a considerable size in terms of number of firms and sales, it is still young, and it has not yet been the focus of much academic research. The industry’s current strength and status among consumers could not have been foreseen by early entrants into the industry, and could only have been conjectured about until just a few years ago. Given the often limited financial returns that craft breweries offer, the uncertainties associated with operating them, and the competition against much larger rivals, it is unclear what has been the impetus for so much entrepreneurship in the industry. This project examines how entrepreneurs have grown the industry, and how they have managed to develop such a strong market for themselves, especially given the few resources available to compete against macrobreweries and the ubiquity of macrobreweries’ products.

Conventional approaches in economic geography have used location or cluster analyses to investigate the development of localized industries. Examples of these types of studies range from Marshall’s (2009) examinations of industrial agglomerations in the 19th century to more recent work including Becattini’s (1990) examination of Italian industrial districts, analyses based on Porter’s (1998) conception of clusters, and ‘innovation systems’ at regional or national scales (see Cooke, 2001; Niosi, et al., 1993), among others. As will be discussed in greater detail later, however, these more conventional conceptual frameworks would not be appropriate for this study given the case industry’s age, geographic distribution, and the research questions asked. This thesis uses a relational economic perspective to explore market-making in the craft beer industry, a segment that has eschewed the conventional practices of its successful, mature, overarching industry, and has realized great success. This research also examines how breweries in the province operate internally, and how they interact with other actors and factors that take part in the processes that affect the industry. Moreover, this research sheds light on the effectiveness of past and current business practices in the industry that could inform policy
directed toward realizing sustainable economic growth in the future for Ontario’s craft brewers, as well as other craft brewing centers in North America.

Toward these ends, this thesis is divided into six chapters. The second chapter provides context with a brief description of the evolution of craft brewing, with an emphasis on North America and Ontario. The third chapter of this thesis presents the theoretical grounding on which this research rests and from which the research questions were derived. The chapter begins with a discussion of the two most popular explanations for the growth of the craft brewing industry that have been presented in the literature (McLaughlin et al., 2014). Subsequently, the conceptual framework for this research - the relational economic perspective - is explicated, and the literature relating to institutional entrepreneurship and market making which informed the analysis of data collected for this project is reviewed. The fourth chapter of this thesis presents and describes the methodology and methods used to collect and analyze the data for this research. The body of this thesis, the discussion of the analysis and findings, is presented in the fifth chapter. The specific questions this research aims to answer and which are discussed in chapter five include:

1. How has the Ontario craft brewing industry grown, and what is the landscape of its institutional environment?
2. How have local craft breweries organized production, and what linkages and interactions do they have with their suppliers and service providers?
3. How do craft breweries find institutional support, solve problems, and succeed in their market?
4. How have local craft breweries marketed themselves and built a customer base given limited reach and resources?
5. What are the specific patterns of collaboration and competition that have developed in the craft brewing industry and market?

Last, chapter six presents concluding remarks and observations, suggestions for future research, and possible policy suggestions.
2 Context

This chapter provides a brief and necessarily simplified overview of the history of craft brewing, and of competition between craft breweries and macrobreweries in Canada and the U.S., and specific to Ontario where details exist, as context to help situate the theoretical and empirical discussions which follow. Beer has a long history, stretching back at least to ancient times when it was brewed in Egypt. Many cultures have since brewed beer, but the focus of this discussion is on Canada and the U.S. in more modern times. Records indicate that beer was a staple in the North American colonies, and brewing existed locally since the earliest days of settlement (McLeod & St. John, 2014; Sneath, 2001). It is almost certain that Jacques Cartier and his crew carried beer aboard their ships as they first explored what would become New France and eventually Canada, as it was common practice to drink beer on long ocean voyages as a means of avoiding consuming potentially contaminated water (Sneath, 2001). Although the first settlers drank beer, it would have been imported to New France from Europe, and beer production likely did not start in the colony in substantial amounts until Jesuit priests arrived in the 1630s (Macleod and St. John, 2014). Brewing became more commonplace in Canada over the 17th and 18th centuries as the colony's population and resources grew. By the middle of the 19th century, a complete brewing industry existed in Ontario.

Beginning around the turn of the 20th century, as with most industries, there was progressive consolidation in the brewing industry across North America, which lasted until late in the century (Howard, 2014). One reason for the trend toward fewer larger breweries is attributable to technological innovations, including: "pasteurization, cheaper glass bottles, ice houses and refrigeration, as well as... faster forms of transportation" (Howard, 2014, p. 156). These advances made it possible to transport beer, which spoils quickly, over greater distances, thereby increasing breweries' market reach. The appearance of agents who facilitated sales and distribution between distant brewers and retailers also favoured industry consolidation (McLeod & St. John, 2014). By McLeod and St. John's (2014) count there were sixty-one breweries in 1900, forty-nine in 1915, and only twenty-three in 1917.

Prohibition also had a major effect on breweries. Although prohibition is more commonly associated with the U.S., as through romanticized gangster movies for example, there
was also strong temperance movement in Canada that saw some success. Early victories to outlaw the consumption of alcohol began as early as the passing of the Canada Temperance Act in 1878, which provided discretion to each municipality to opt in to prohibition. This and several other laws over subsequent years were repealed or had little effect for various reasons (McLeod & St. John, 2014). Temperance activists succeeded in establishing limited prohibition in Ontario in 1916, which severely restricted the production and consumption of alcohol in the province until it was repealed in 1927. Prohibition everywhere led to the swift closure of many breweries. Upon repeal of prohibition, the larger of the remaining firms (some survived by shifting production to non-alcoholic beverages or to making alcohol for various medical or industrial purposes) continued to absorb smaller competitors. Eberts notes that in Canada by 1945 thirty companies operated only sixty one breweries, and "by the mid-1960s, this had reduced to about 10 companies operating 52 breweries" (2014, p. 190). The latest rounds of consolidation have occurred more as the result of globalization, with trade barriers being reduced and international communication and shipment allowing just a handful of multinational corporations to control nearly 90 percent of the global brewing market (Howard, 2014).

There was also a similar shift in the products that consumers bought from breweries in the U.S. and Canada over the 20th century. The market was increasingly saturated with a homogenous, low-flavour lager in favour of the more-flavourful ales that had previously been popular. According to Choi and Stack (2005), in the U.S. the trend toward this style of beer was well-established by the late 1950s, until by the mid-1990s the ubiquitous pale lagers from different brands available in the market were virtually indistinguishable by the vast majority of consumers. The trend toward less-flavourful beer seems to have been less pervasive in Ontario: in the late 1970s ale accounted for just over half of sales, and stronger more flavourful styles of beer were more readily available than in the U.S. at the time (McLeod & St. John, 2014). Nonetheless, the situation in Canada in 1972 was described as such:

“All the big breweries are making the same product, with different names and labels… Like tasteless white bread and the universal cardboard hamburger, the new beer is produced for the tasteless common denominator. It must not offend anyone, anywhere. Corporate beer is not too heavy, not too bitter, not too alcoholic, not too malty, not too yeasty and not too gassy. In other words, corporate beer reduces every characteristic that makes beer, beer” (Appleton, 1972, in Sneath, 2001).
The consolidation of breweries and the decrease of variety available to consumers would eventually lead to grassroots efforts to revive traditional brewing practices and styles.\(^2\)

In a similar fashion to their counterparts in North America, during the 1960s, mergers reduced the number of breweries in the U.K. by approximately half, and at about the same time many breweries there had begun to brew beer with "low flavour and overall quality" (Sneath, 2001; CAMRA, n.d.). In response, in 1971 four Englishmen founded CAMRA - the Campaign For Real Ale. Their goal was to encourage the revitalization of the U.K. brewing industry, and return to chemical free, traditional brewing methods using natural ingredients, and more specifically to encourage the production of cask-conditioned beer, which they termed 'real ale'. The movement quickly gained momentum with a broad cross-section of the British population and by 1973 there were 5000 members signed on (CAMRA, n.d.). CAMRA's efforts led to similar consumer revolutions in several countries in continental Europe, and the first Canadian branch was established in Ottawa in 1981 (Sneath, 2001). In 2015 CAMRA reported on its website that it had 164,577 members internationally. The efforts of the four founding members of CAMRA in 1971 were seminal steps in a craft beer revolution in that they re-opened consumers’ eyes and palates to the potential diversity of beer styles and flavours (Sneath, 2001).

Craft breweries appeared earlier in the U.S. than they did in Canada, with what was arguably the first one predating CAMRA. In 1965 Fritz Maytag, heir to the eponymous home appliance corporation fortune, purchased a controlling share of the historic but failing Anchor Brewery in San Francisco, which had first opened in 1871 (Anchor Brewing, n.d.). Maytag managed to increase the firm’s sales and distribution, and Anchor began bottling its flagship product Steam Ale in 1971. By 1975 Anchor brewed four additional distinctive, flavourful beers. Arguably though, the first true, new craft brewery opened in the U.S. in 1976 when Jack McAuliffe opened New Albion Brewery in Sonoma, California (New Albion Brewing, n.d.; Sneath, 2001). McAuliffe was inspired to open the brewery after serving in Britain with the U.S.

\(^2\) Notwithstanding the claims about ubiquitous pale lagers, during the 1990s, the North American macrobreweries did in fact begin to introduce more varied products, perhaps to differentiate themselves from one another, or perhaps to combat encroachment from microbreweries (Sneath, 2001; Stevenson, 1994). Some examples include ‘dry’ beers, ‘ice’ beers, and ‘genuine draft’ in bottles. While these products were somewhat different from the other macrobrewed products, they were not as different as were the craft breweries’ beers, nor were they presented as having a particular ‘cachet’ to compare with the ‘microbeers’ that were popular at the time.
Navy where he had tasted 'real ale' and been impressed by CAMRA's efforts (Sneath, 2001). Though New Albion was in operation for only six years, McAuliffe’s business model and the beer he produced was influential enough that it inspired the opening of several other American microbreweries before the firm was shuttered (New Albion Brewing, n.d.; Scully, 2013, August 24; Sneath, 2001). Data from the Brewers Association (n.d.) indicate that the number of breweries\(^3\) in the U.S. grew steadily through the 1980s and early 1990s, from 92 in 1980 to 359 in 1992, with faster growth for another decade, topping out at 1,566 breweries by 2000. There was a slight retraction in the number of breweries in the first half of the 2000s, and in 2006 there were only 1,460 breweries in the US. Subsequently there was explosive growth in the craft brewery industry, and in 2013, 2014, and 2015 there were a reported 2917, 3,722, and 4269 breweries respectively in the U.S.

The first Canadian brewpub opened in 1982 in Horseshoe Bay, British Columbia (Sneath, 2001). Similar to McAuliffe in the US, John Mitchell, founder of Horseshoe Bay Brewery was also inspired to brew traditional 'real ales' while on a trip to the U.K. in 1981. Several other brewpubs had opened in locations between Red Deer, Alberta and Victoria, B.C. by the end of 1983. Canada's first microbreweries opened in 1984, three of which are still in operation today: 1.) the Granville Island Brewing Company in Vancouver, B.C. opened in June (bought by Molson-Coors in 2009); 2.) Big Rock Brewery in Calgary, Alberta opened in September; and 3.) Brick Brewing Co. opened in Waterloo, Ontario in December. New microbreweries brewing beer styles ranging from the traditional cask-conditioned 'real ale' such as Wellington Brewery, to more conventional commercial-style beers, such as Upper Canada, opened in Ontario over the next few years in Ontario (McLeod & St. John, 2014).

Data on the number of Canadian microbreweries is scarce compared with the U.S., but according to Sneath (2001) 42 new microbreweries opened across Canada between 1985 and 1989. Eberts reports that by 1990 "there were 62 breweries across Canada, of which 33 were new independent microbreweries... ten years later this number had grown to 83, of which 58 were modern microbreweries" (2014, p.192). More recent statistics from Agriculture and Agri-

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\(^3\) This data includes all breweries, not just craft breweries, but all growth would be from craft breweries as macrobrewers only continued to consolidate during this period.
food Canada (AAG) (2012) indicate that in 2000 across Canada there were 135 establishments in NAICS code 31212 or 'brewery' - defined as: "establishments primarily engaged in brewing beer, ale, malt liquors and non-alcoholic beer" (Industry Canada, 2015). AAG (2012) reports indicate that the number of breweries had grown to 209 breweries by 2009, while Industry Canada (2015) notes that in 2013 there were 319 breweries, 124 of which were in Ontario. The next two provinces with the most breweries in 2013 were B.C. with 78, and Quebec with 69. Of the 66 breweries Industry Canada (2015) identified by employee count, 26 had 1-4 employees, 34 had 5-99 employees, 5 had 100-499, and 1 had 500 or more, indicating the vast majority were quite small firms. It is safe to conjecture that microbrewers comprised the smaller two categories, while some of the larger microbreweries may be in the third category; it is very unlikely that any microbrewery in Canada employs more people than does any of the macrobreweries, which are much larger. These figures indicate that though Canada has far fewer breweries than the U.S., the number of them is also increasing, and Ontario was leading the country by the number of breweries in 2013. Finally, the most recent iteration of a provincial craft brewery directory compiled on a commercial website\(^4\) indicates there are 237 breweries operating in the province, and 76 in the planning stages (Mom and Hops, n.d.).

The figures listed above do not paint a complete picture of craft brewing in Canada and in Ontario, though. McLeod and St. John (2014) suggest that while there were ample microbrewery and brewpub start-ups in Ontario through the 1990s, there was also a high rate of failure for these businesses. Several reasons that have been suggested for the high failure rate include: poor quality; over-eager but poorly informed investors; increased competition with the introduction of the North American Free Trade Agreement; and the combined effect of the introduction of discount-brand beers and an economic recessionary period (McLeod & St. John, 2014; Sneath, 2001). Thus, the data available fails to capture the volatility that was and may continue to exist in the industry. Moreover, for two reasons NAICS 31212 is arguably an inaccurate, though important, means by which to identify breweries. First, in Ontario (though less so in B.C. and it is unclear about other provinces) not all 'breweries' have their own physical brewery: contract brewers lease time and or space in other brick-and-mortar breweries and do

\(^4\) This directory is discussed in greater detail later in Chapter 4.
more or less work brewing and packaging their own beers. As such, contract brewers would not appear as a separate establishment, though some would argue that they should be considered brewers in their own right (Johnson, 2013, December 15; 2015 February 26). Second, though some brewpubs may not be 'primarily engaged in brewing', they are usually considered part of the microbrewing industry in the literature. The data available on the number of breweries in Canada is not complete, and would at best identify an estimate of the minimum number of breweries in a year; however, again the number of craft breweries in Canada is increasing.

The growth of the craft brewing industry across North America described above occurred while these firms were at the same time in competition with one another and the much larger macrobreweries. Macrobreweries have competed among one another in particular ways that differ from how they have competed with craft breweries. Macrobreweries have used three main modes of competition that are pertinent to this research: 1.) as discussed already, they have sought to consolidate and absorb other large competitors; 2.) they have competed against one another based on brand or image; and 3.) they have usurped ‘craft’ brewing. As mentioned, as they consolidated, breweries also began to produce a more homogenous style of pale lager until consumers were all but unable to recognize a difference in the flavour of competing brands (Choi & Stack, 2005). In an effort to differentiate their products and attract consumers, macrobreweries began to spend increasing amounts on marketing (Sneath, 2001). Eventually macrobreweries market share was more dependent on their brand image than the quality and distinctiveness of their beer (Eberts, 2014). Although it is unclear what the macrobreweries’ marketing budgets were over this time, they were likely quite large given the significance of winning just a few percentages of market share: according to Sneath (2001) by the late 1980s every percentage point of market share in Canada was worth $8-10 million in pre-tax profit. Craft breweries do not have the budget to compete head to head with macrobreweries in terms of marketing, but have managed nonetheless to carve an increasing niche for themselves in the market.

Macrobreweries have also competed against craft breweries by usurping ‘craft’ beer. Since about the start of the 1990s, macrobreweries have released specialty beers and/or ‘faux’ craft beers to compete with craft breweries (Carroll & Swaminathan, 2000). Specialty beers require little explanation, they are beers macrobrewers release that are identified as somehow special from their standard fare. Two examples could be adding unique flavours, such as lime or
apple in the case of Budweiser, or brewing more hop-forward beer as in the case of Alexander Keith’s Hop Series. Faux craft beers, also called ‘crafty’ beer, most often describe a situation in which a macrobrewery either purchases a craft brewery and continues to sell that beer without identifying their involvement, or creates a new brewery (legally or as a fiction) that is not openly identified as one of their brands. An example of the former in Ontario would be Creemore Springs which was acquired by Molson in 2005, but is still marketed as an independent craft brewery. There are no examples of the latter situation that are specific to Ontario - these firms are not spatially manifested since they are in large part fictive – but two of these ‘faux’ brands include Shock Top and Blue Moon. Macrobreweries have had varying degrees of success using the methods to sell the craft-type beers described just above, but in general the ‘faux’ breweries have been poorly received by regular craft beer drinkers. Craft breweries have managed to develop a strong growing market for themselves in competition with macrobrewers that are much larger in terms of scale and marketing budget, and who have attempted to undermine the position of the former by co-opting their ‘craft’.

In addition to the competition Canadian and American craft breweries face from macrobreweries, the Ontario market presents craft breweries with yet more obstacles because of a history of strictly controlled distribution. At the repeal of prohibition in Ontario in 1927, mentioned earlier in this section, the province also founded the Liquor Control Board to supervise and regulate liquor distribution in the province. Also in 1927, the “Brewer’s Warehousing Company Ltd. Was founded as a brewers distribution collective” (McLeod & St. John, 2014, p. 102). At that time, beer, by virtue of its low alcohol content compared with wine or spirits which were distributed by the LCBO, could be sold at hundreds of privately owned outlets. In 1940 the breweries bought out the private contractors who had been distributing their beer, and changed the name of their stores to Brewers Retail, Inc., which over time were again renamed to The Beer Store (TBS) (McLeod & St. John, 2014). Ownership of TBS was held by fewer breweries as industry consolidation progressed over the years, until only three firms controlled it: Labatt, Molson, and Sleeman – themselves owned by multinational brewing giants ABInbev, Molson-Coors, and Sapporo, respectively.

Until mid-2015, when new legislation was instituted by the then-sitting provincial government, beer in the province could only be sold through the LCBO or TBS. Before then, TBS had gained significant rights over beer sales in the province, for example in 2000 the
provincial government granted it the exclusive right to retail 24- and 12-packs of beer, and to sell the most popular brands to licensees (Morrow, 2015 March 3). Also, while brewers were allowed to sell beer at their own breweries, independent retailers were banned, and brewers were not allowed to retail other brewers’ products. Moreover, any brewery that wanted to sell through TBS had to pay to the owners various “listing” and “handling” fees that could total over $20,000 for every product a brewery wanted to sell there – a significant fee for most craft breweries.

Beer distribution is more tightly regulated in Ontario than it is in most other North American jurisdictions\(^5\), and the main retail outlet for beer is owned by the macrobreweries. Craft breweries have grown their market within a distribution framework designed in large part for and in no small part by their main competitors, who also were familiar with and controlled much of the distribution system infrastructure.

New legislation was passed in Ontario in mid-2015 that opened the distribution options for craft breweries in the province. Two significant aspects of the new legislation include: 1.) allowing beer sales at a limited number of grocery stores; and 2.) changes to TBS ownership structure and product listing policies. With respect to the first change, at the time of writing, the Ontario Ministry of Finance (2016, July 15) website indicated that sixty grocery stores across the province were authorized to sell beer, a further seventy were expected to be able to by fall 2016, with a goal to eventually allow up to four hundred and fifty grocery stores to sell beer. As for the second aspect, according to TBS’s (n.d.) website the Province of Ontario required that TBS has into a new agreement with the Province that provided for a number of changes to Ontario’s system of beer retailing and distribution including: 1.) changes to the Beer Store ownership model by which Ontario brewers who satisfy certain qualification can become shareholders; 2.) TBS was to add four independent directors to its board of directors and an Ombudsman to support fairness and transparency policies; 3.) TBS was also to “increase the number of stores at which small Ontario brewers with annual beer volumes of 10,000 hectoliters or less can list two new products without paying any listing fee. Those brewers will now be able to list two products at two more stores, for a total of seven beer stores proximate to their brewery” (TBS, n.d.).

\(^5\) Except for ‘dry’ counties in the U.S. which ban the sale of alcohol. Dry counties are mostly located in the south and central U.S. In Arkansas, for example, 37 of 75 counties are dry (Schwarz, 2014, September 2).
Specific information about the first clause above, the cost to buy shares, and the number of shares available to craft brewers is not included on the TBS website, nor was any located elsewhere; however, several interview participants to this research indicated that this was a token gesture on the part of TBS that does not provide craft brewers with any real earnings or chance to add input towards TBS decisions. Similarly, the wording of the fourth clause on extended lower fees is unclear and no further information was found to clarify details. However, it should allow craft breweries to list their beer more affordably at beer stores close to their brewery. Unfortunately, as one participant noted about this change in an interview, those retail outlets that are closest to the brewery can be the least valuable to craft breweries, as they service customers who can most easily get to the brewery where he sells his own beer. Regardless, there have been recent changes to the beer distribution system in Ontario, which otherwise has not changed in decades, and which seriously favoured the large macrobrewers. At the time of this research, these changes were too recent to have had impact enough to judge whether they were or would be successful, and so for the most part their effects are not considered in this research. However, future research on the craft brewing industry in Ontario should examine their impact.

This section identifies that beer has been an important product in North America since the earliest European settlers came. Up until the beginning of the 20th century, there were small breweries in most communities. However, across North America as well as in Europe, the advent of modern technologies including refrigeration, and improved transportation, as well as globalization in general led to consolidation in the industry everywhere. Along with firm consolidation, the beer produced became more homogenized until a single pale lager was ubiquitous in North America, and in Europe this trend had at least begun if not gotten as far. Starting in the 1970s small breweries began to open that returned to more traditional brewing techniques to produce more flavoursful beer. This trend started slowly, but picked up over two decades, and has exploded in recent years until there are now thousands of craft breweries across the U.S. and Canada. These craft breweries entered a market in which they were competing against macrobrewers who had deep pockets, and in which marketing dollars had become the primary weapon among competitors, but they did not have these funds. In addition, in Ontario craft breweries faced a unique set of obstacles because of strict distribution laws. This research examines how craft breweries in Ontario were able to make their market in the face of this competition and despite the obstacles present.
While the existing academic literature on the craft brewing industry provides an interesting description about the evolution of the industry and its context, this literature says little about how new breweries, often with little experience, were able to generate consumer interest and build a market, how they determined which sort of products to make and which resources, partners and institutional support they could rely on to generate crucial business knowledge and support success in their entrepreneurial ventures. These questions are at the heart of this thesis and are discussed in the next section in theoretical terms to provide a conceptualization for the empirical part of this work.
3 Theoretical Grounding

Academic research on microbreweries began in the late 1990s. It appears that geographer Wes Flack’s 1997 American Microbreweries and Neolocalism: "Ale-ing" for a Sense of Place was one of the earliest published social sciences articles with a focus on microbreweries. The number of articles and books published on the subject has increased since then, but a significant academic literature about craft brewing has yet to develop. However, the publication in 2014 of The Geography of Beer (Patterson & Hoalst-Pullen, 2014), an edited collection of sixteen articles, most of which focus on craft beer in North America, may indicate that we are reaching a tipping point for research on the industry. Most of the social science scholarship on craft brewing falls within the fields of sociology, human geography, or business management and marketing. Within these fields, the research tends to examine various social and/or economic aspects of the industry. Common research themes in the literature include the craft brewing industry’s interactions with and/or impacts on the overall brewing industry and/or consumers and/or social communities at the local, regional, or national scale (see Flack, 1997; Carroll & Swaminathan, 2000; Choi & Stack, 2005; Eberts, 2014; Howard, 2014; Schnell & Reese, 2014).

My research draws from and builds on past scholarship on craft brewing; however, the theoretical perspective on which my research is built and my findings are novel in the literature. Two theories are most often cited in the literature to explain the emergence and growth of the craft brewing industry: 1.) neo-localism; and 2.) resource partitioning (McLaughlin, Reid, & Moore, 2014). While these theories provide some insights about the industry, I argue that they are based on economic assumptions that are too simplistic, and that as a result they do not adequately explain the industry’s growth. Both of the theories employ a somewhat incomplete view of firms and consumers that take part in the industry to explain its growth. This view ignores the interactions and reciprocal processes that are ongoing among economic actors and related factors throughout the lifecycle of the industry and its markets (Bathelt & Glückler, 2011). Failure to consider the ongoing, varied, and dynamic activities that drive an industry can lead to insufficiently informed, or erroneous assumptions. I argue that employing a relational economic perspective, as presented by Bathelt and Glückler (2011), to examine the interactions among the various economic actors within the context and institutional setting of a particular
market, in this case Ontario, will provide a more adequate explanation of how the craft brewing industry has realized its current form and status.

The remainder of this section is divided into four parts. First, I provide a brief critical review of the two common explanatory theories mentioned above to identify their shortcomings as well as their contributions to the literature. Second, I provide a brief discussion of the importance of location for knowledge creation and firm development, and explain why a conventional framework is not sufficient for the analysis in this study. Third, in developing the conceptual framework of this study, I present the relational economic perspective and apply it to the analysis of Ontario’s developing craft brewing industry. Fourth, I discuss the particular theoretical concepts upon which the empirical research for this thesis is based, and from which I draw to examine, understand, and describe the geographic, social, and economic facets that have impacted the evolution of the Ontario craft brewing industry.

3.1 Neolocalism and Resource Partitioning

The two principal explanations that have been offered in the literature for how craft brewers have made inroads in competition against macrobreweries in the brewing market are: 1.) neolocalism; and 2.) resource partitioning (McLaughlin et al., 2014). Neolocalism was first presented as an explanation for the growth of the craft brewing industry in 1997 by Flack, who explains it as a cultural countercurrent directed against the perceived homogenization of culture in the U.S., which he claims is in turn due to globalization and increased migration across the country (Flack, 1997). Flack (1997) speculates that neolocalism can be identified by the increasing popularity of various activities and products, including: farmers’ markets, local festivals, communities’ resistance to big box stores, as well as craft beer. In sum, neolocalism is a social movement in which individuals and groups make “the conscious attempt to establish, rebuild, and cultivate local ties, local identities, and increasingly, local economies” (Schnell & Reese, 2014, p. 168).

An important aspect of the neolocalism argument as it has been related to craft breweries is that breweries consciously create a sense of place by using local imagery when marketing themselves and/or their products to consumers, who are equally eager to consume ‘localized’ product. The local imagery that craft breweries use may include any combination of varied
motifs - including historical figures, events, or legends; the natural environment, including weather or wildlife; or landmarks - that relate to the local identity (though no firm delineation of the local scale is identified) (Flack, 1997; Schnell & Reese, 2014; Eberts, 2014). An accompanying argument has been made that macrobreweries historically do not rely on local imagery, though they sometimes identify with regional or national symbolism (consider that Coors associates with the Rocky Mountains, and Molson’s flagship brew is Canadian) (Eberts, 2014). The macrobreweries’ particular marketing strategy such local references because they are sold at national and international scales at which no ‘local’ could apply (Eberts, 2014).

According to the neolocalism argument, the craft breweries’ neolocal marketing tactics work to attract consumers because neolocalism manifests in consumers as an appetite for unique local products. Therefore the marketing strategies used by the supply side are in harmony with the related wants of the demand side, and as a result both are mutually satisfied.

Since Flack (1997) related the concept of neolocalism to craft brewing it has also been used by other scholars as an explanation for the emergence and growth of the industry. In many cases authors include neolocalism or cite Flack as a minor (albeit important) part of their research output (see Baginski & Bell, 2011; McLaughlin et al., 2014). Other scholars focus on Flack’s thesis as their key research perspective, though. Schnell and Reese, for instance, have twice updated Flack’s analysis of the use of neolocalism by U.S. microbreweries, in 2003 and 2014, and most recently found that “the neolocalism noticed by Flack twenty years ago, and confirmed by us a decade ago, is still very much alive, and is indeed stronger than ever” (2014, p. 184). The authors conclude that while craft beer’s flavour has played a role in the proliferation of microbreweries, the industry’s growth is due in part to “the desire of people to break away from the smothering homogeneity of popular American culture” (Schnell & Reese, 2014, p. 168). Likewise, Ebert centers his analysis on the neolocalism theory, and finds that Canadian microbreweries often use local imagery “to appeal to people’s sense of identity with place, as much as with the quality of [their] products” (2014, p. 198). Empirical analysis shows that craft breweries often use local imagery in their marketing; however, certain authors argue in addition that this is a conscious attempt by the firms to capitalize on consumers’ desire for unique local products.

There is no conclusive analysis about why craft breweries use local imagery in their marketing; but there is clear anecdotal evidence that they do, and much more so than do
macrobreweries. Also, the cultural turn toward ‘local’ products may have played a role in the development of the craft brewing market. However, there is no evidence that neolocalism was the driving force behind the industry’s ascent. Further, interest in ‘the local’ may be associated with craft beer through social movements other than the ‘neolocalism’ suggested in the literature – for instance through the ‘slow food’ and ‘local food’ movements (Pietrykowski, 2004; Starr, 2010). In addition, craft breweries’ are typically small and often have limited distribution range, which makes them de facto ‘local’. It may be more prudent to assume that the breweries apply local imagery simply because it is at hand rather than to attach deeper motivations to their decision without empirical evidence to that effect.

Other elements of craft breweries’ business models have also been identified as relying on promoting a local identity (Eberts, 2014). For example, in addition to findings on local imagery-based marketing, Eberts (2014) found that craft brewers appeal to consumers’ sense of local identity in three other ways: 1.) the brewing of special event beers; 2.) tourism; and 3.) community economic development. In contrast, he found that two national macrobreweries who were “regularly involved in such ventures prior to the microbrewing renaissance” had since stopped or reduced those efforts (Eberts, 2014, p. 195). Again, though, this is not evidence of neolocalism; it is evidence only that craft breweries interact with their local communities. Craft breweries’ local connections, use of local imagery-based marketing, and limited distribution range is not proof that decision makers in those firms have neolocalist intentions, or that they are executing conscious decisions to play on what Flack (1997) calls consumers’ ‘neolocal craving’ as a means by which to develop their market.

A further problem with the use of neolocalism as an explanation for the emergence and development of craft brewing or the growth of its market is that the term is applied to too broad a swathe of socio-economic activities to maintain sufficient explanatory power. Besides craft brewing, Flack (1997) speculates that other examples of neolocalism include farmers’ markets, local festivals, and residents’ protests against proposed big-box stores being built in their neighbourhoods. Eberts adds “artisanal producers, and the 100-mile diet and locavore movements” (2014, p. 193) to the list of examples. It is not clear, however, that there is a

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6 The role of ‘local’ social movements in the development of the craft brewing market is discussed in greater detail in a later subsection.
relationship among these examples, other than that they all can occur within an urban area (or otherwise) along with its hinterlands, or what might loosely be termed ‘locally’. Certainly they do not occur at the same geographic scale though, nor are they all necessarily related to similar motivations, goals, or actions. In fact, it is easy to imagine a neighbourhood organization that would at once be opposed to the opening of a big box store and also a craft brewery, with the attendant odour and increased traffic a brewery would create. Neolocalism is an umbrella term that is used to describe a host of group and individual social and economic choices and actions - some of which may in part support craft breweries, though not always - that have not been adequately substantiated as the drivers for the craft brewing industry’s growth.

The second explanation offered in the literature, resource partitioning, was first introduced as a general theory to explain the proliferation of craft breweries by Carroll and Swaminathan (2000). Baginski and Bell (2011) added a spatial element to the theory in their examination of craft brewing specifically in the south-eastern U.S. In brief, resource partitioning is the process by which demand for a differentiated product can grow over time, as large firms offer increasingly homogenous mass-market products, until a new market or market category is developed (Carroll & Swaminathan, 2000; Baginski & Bell, 2011). The authors propose that at the outset, generalist (i.e. not specialized) firms in an industry vie for the mass at the middle of a unimodal resource pool of consumers, and try to attract as large a market share as they can. As the firms compete for limited heterogeneous resources, though, the larger ones often outperform and overtake their smaller competition. When smaller firms close, their market is freed, and larger firms are able to win many of those newly available customers. At the same time, as the number of generalist firms declines, they produce more homogenous products in an effort to satisfice and attract the largest share of the market possible.

However, Carroll and Swaminathan (2000) and Baginski and Bell (2011) speculate that not all consumers switch to the smaller number of larger firms, as some are not satisfied with any of these firms’ products. As a result, while the market share for each firm increases, the market size as a whole decreases, with some consumers opting not to buy any of the available products. All the while, the potential market space left outside of the generalist firms’ control grows and is open for any remaining or new specialist firms. In turn, specialist firms target small groups of like consumers in the heterogeneous outskirts of the existing market, and these may become one or more potential new markets or market segments. In the case that a new market does emerge,
the specialist firms are able to secure it because generalist firms avoid the higher marginal costs of attracting the various small groups of customers, while the consumers with specific tastes in the smaller market segments are more easily defended by specialist firms that satisfy them.

The recent history of commercial brewing in North America can be described such that it follows a similar trajectory as the one suggested for resource partitioning by Carroll & Swaminathan (2000), and Baginski & Bell (2011). Breweries that survived prohibition and were thereafter best able to maximize efficiencies soon began to acquire and take over smaller firms that they outperformed (Howard, 2014). We can identify these growing firms with the ‘generalists’ described above. The firms also began to brew increasingly homogenous beers as the number of breweries decreased and their own market share and reach increased (Eberts, 2014). The explanation suggests that over time a subset of consumers were not satisfied with the generic beer that was available to them, and craft breweries opened that provided new products to satisfy some of the consumers in this group. Finally, craft breweries solidified a strong market presence that was ignored by the larger breweries for some time (Schnell & Reese, 2014). Further, macrobreweries have had trouble attracting craft beer consumers to start drinking or revisit their products, as seen with the ‘faux’ craft beers (Eberts, 2014; Tremblay & Tremblay, 2011, Schnell & Reese, 2014). Although the theory of resource partitioning and the history of craft brewing share some general similarities, the scholarship to date that posits resource partitioning is the driving force behind the development of the craft brewing industry is not fully convincing.

Scholars who apply the resource partitioning theory to explain the growth of the craft brewing market imply that the advent of craft brewing firms and the development of their market was a foregone conclusion. However, it is only possible in hindsight to associate the evolution of the craft brewing industry with the linear progress of the resource partitioning explanation. While it may appear that the development of the brewing industry followed a natural or logical sequence, at any time in that progression there were a number of possible actions that could have been taken by a great number of actors, each of which would have led to a different outcome. The decisions an economic actor makes are dependent in part on that actor’s past decisions, which makes their future decisions more or less likely, but they are nonetheless contingent on
unique contexts, and therefore uncertain (Bathelt & Glückler, 2011). The processes by which the actors (brewers and customers) involved in the craft brewing industry emerged, learned of and from one another, and came to terms is not investigated in the resource partitioning literature, and should not be assumed as a straightforward process as suggested by the resource partitioning theory.

The above discussion of the resource partitioning theory and the neolocalist explanation for the emergence and growth of the craft brewing industry illustrate that both explanations suffer from deterministic explanations and a lack of a process-based, dynamic perspective. In both cases, the theories infer the presupposition that producers and consumers were aware of each other’s products and needs, and that the industry and market develop automatically in a manner that accommodates both. However, in the course of doing business, firms interact with their environments (including other actors and factors in their markets), which results in unforeseeable dynamic changes to all of the actors involved (Nonaka, Toyama & Nagata, 2000). Further, during the course of its interactions, a firm identifies information and knowledge that it uses to reach the goals or overcome the problems that are most important at the time (Nonaka et al., 2000). However, a firm’s goals may not be predefined, and the information it identifies and the solutions it develops may not be known in advance (Nonaka et al., 2000). As a result, it cannot be determined in advance what would be the evolution of a (group of) firm(s) or an industry.

Although the two traditional theories that aim to explain the growth of craft breweries each focus on different processes, neither of them (alone or in tandem) adequately explains the industry's initial slow growth or its later explosive expansion. The major shortcoming of these two theories is that they rely on outdated economic conceptions that are problematic because they treat firms as black boxes, the inner workings of which are not investigated (Nonaka et al., 1990). These economic explanations, which fail to recognize the differentiated actions of the various actors involved, are based on the idea of a single ‘industry’, or market, with inevitable

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7 Firm path dependence and contingency will be discussed in greater detail later in this section.

8 The importance of knowledge and the process by which it is created are discussed in greater detail later in this section.
choices, rational decisions, and foreseeable related outcomes. Such economic systems, with formal, contrived markets for certain commodities are rare, however (Callon, 1990). As a result of the limited scope of their investigations into firms and/or industries, scholarship that applies these economic conceptions ignores the process by which the firms develop products, attract customers, and the processes by which the two come to terms. It is not sufficient for investigators to suggest that the emergence and evolution of the craft brewing industry and its market was an automatic consequence, because economic actions cannot be foreseen with this level of certainty (Bathelt & Glückler, 2011). Because, the research on craft breweries to date is not based on investigations of firm level interactions, there is not adequate evidence to justify the claims the two major theories make.

3.2 Knowledge Creation, Location, and Firm Clustering

Geography is a foundational component in a relational economic perspective because all economic action occurs in places (Bathelt & Glückler, 2011). Therefore, a spatial perspective is a crucial starting point from which questions should be asked, for instance, about how firms in a particular local industry have developed and operate. For example, it is generally recognized that auto manufacturing firms operate differently in some ways in the U.S. than they do in Germany. Taking a geographic economic perspective, some (very basic) questions might be: what are the political and social factors associated with those places that have an effect on their respective industries; what has happened in the past in those places that has affected their industries? What are the characteristics of the workforce, other industries, and institutional practices of those places that affect a specific industry? In each case, the questions look at different aspects of how industries are shaped by specific localized historical, social, and economic contexts. Because industries develop and operate in particular contexts, and since these contexts exist within distinct territories, it is important to examine industries within their geographic location.

Similarly, knowledge creation, which is essential to entrepreneurship and industry growth, is affected by the geography across or within which it occurs (Bathelt et al., 2004; Porter, 1998). As discussed throughout this section, knowledge is essential to a firm’s success: knowledge about local institutions; knowledge about market structure, best practices and trading partners; and knowledge about consumers and how they view a firm and product have all been
identified as important to a firm’s success. However, so far in this discussion, the creation of knowledge has been somewhat taken for granted. In this research, knowledge creation is viewed as a dynamic process that is affected by the social, political, and institutional contexts in which it occurs, and it is undertaken by a group of actors who want to solve a problem (Asheim & Isaksen, 1997; Bathelt & Glückler, 2004, 2014; Dosi, 1988; Nonaka et al., 2000; Torre & Rallet, 2005). This thesis examines the relationships and interactions among craft breweries in Ontario; those they have with supporting trade, educational, and political organizations; and their customers to identify how the firms learn about their operations, what is successful, and how to improve.

While it is widely accepted now that knowledge creation is the result of an ongoing process, this understanding is the outcome of much discussion and development over initial ideas on the subject (Nonaka et al., 2000; Lundvall & Maskell, 2000). Nonaka et al. (2000) argue that earlier theories of knowledge creation over-simplified the mechanism by which firms created knowledge and innovations. The authors criticize neoclassical economics for assuming that firms are perfectly rational problem-solving ‘black boxes’. Nonaka et al. (2000) also argue that transaction-cost theory is limited in its conception that firms acquire knowledge based on a cost-benefit analysis of the predetermined potential of that knowledge. They further criticize that “resource-based views of the firm and the principal agent theory are based on the view of the firm as an information-processing entity, and fail to capture the dynamic process of knowledge creation” (2000, p. 17). Despite the traditional and long-standing understanding of knowledge, current consensus is that it is created as a result of ongoing, dynamic transformation processes related to preexisting knowledge. Therefore they suggest a knowledge-based view that focuses on knowledge-creation processes in firms.

Although the exact outcome of the knowledge creation process is unknown at the outset (Dosi, 1988), firms often rely on past knowledge and heuristics to inform the options they explore (Bathelt et al., 2004). As such, their decisions and actions depend on the existing knowledge that is available to them, which they often draw from sources internal to the firm (personnel), or trusted outside sources. Many of the outside sources that firms rely on, especially small firms and start-ups – as in the craft brewing industry – are often close by. This is beneficial because firms can rely on shared institutional understandings, embeddedness, trust, and/or lower transaction costs.
Firms also rely on internal or close-by external sources to develop new knowledge because the participants in these efforts are likely to share what Torre & Rallet (2005) call ‘organized proximity’. Organized proximity describes a situation in which members share a ‘logic of belonging’, or shared rules and routines of behavior, and a ‘logic of similarity’, or shared intellectual language and subject understandings. These two logics bear more than a passing relationship to institutions, as discussed above, in that they are sets of rules and understandings that knowledge creators adhere to and which guide their actions, though there is no obvious repercussion to not following them. Members of a group who share these two logics are better able to communicate with one another about solving a problem than are individuals who do not share similar understandings. Although ‘organized proximity’, differs from geographic proximity, the conclusions from the discussion earlier in the section about institutions suggests that actors who are proximate may be more likely to share a logic of belonging than are actors from distant areas. In any case, while organized proximity does not require geographic proximity, Torre & Rallet (2005) indicate that at least at the outset, firms engaged in problem solving benefit from organizational proximity in conjunction with geographic proximity, though the need for geographic proximity may diminish over time once routines become established.

The knowledge-creation process most often builds on the existing knowledge inside or proximate (geographically and cognitively) to a firm.

The opportunities of geographic and cognitive proximity for generating new knowledge are a major reasons why spatially clustered firms in similar industries often outperform firms that are not proximate to competitors and suppliers. Since the 1990s at least, scholars have looked extensively at the effects of agglomeration in space on firms and industries using various names terms to define their particular focus or interpretations: some include the Third Italy, regional innovation systems, national innovation systems, and industrial clusters (see Bianchi, 1998; Cooke, 2001; Niosi et al., 1993; Porter, 1998). Porter’s definition that an industrial cluster is “a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities” (2000, p. 16) is best-suited for and applied in this research. However, this research does not draw strictly from his cluster theory, as his work lacks insight on how knowledge is created in clusters, and does investigate the role of institutions in cluster development (Porter, 1998, 2000; Malecki, 2011; Bathelt & Glückler, 2011).
The significance of Porter’s (2000) definition for this project rests in the interconnections among firms that he mentions. Although firms in the Ontario craft brewing industry do not form a regional cluster per se, their linkages benefit from distinct advantages of spatial, cognitive, and institutional proximity. Because knowledge creation relies heavily on internal or proximate knowledge, and trust among actors is an important consideration when looking outside of the firm, firms with many connections have access to more information than those with fewer connections. Firms that are connected to other trusted firms as part of a network have access to more information, and therefore have more potential to develop solutions to the problems they encounter than do firms that are not.

While Porter’s conception of clusters, or related frameworks, have been successfully used in studies on economic agglomerations and their internal and external linkages, this conceptual approach is less adequate for the research conducted in this thesis. First, the case examined here ranges over a much larger geographic area, all of the province of Ontario, than would be appropriate for a cluster analysis, which tend to focus on an area closer in size to a metropolitan region. In addition, similar to a cluster investigation, this study investigates the craft breweries, their suppliers and distributors, as well as some other third party service-providers that operate together, most of which are located within Ontario. The collaborative nature of the industry, which will be discussed in much greater detail through this thesis, has created a strong network that may be worthwhile exploring through a cluster analysis now or in the future, as the industry matures. But, this research focuses on the formation and early growth of the industry, in part as a means of examining how institutional entrepreneurship plays a role in market-making, for which the less common approach explicated in the following theoretical discussion is most appropriate. The empirical aspects of this research examine how the firms in Ontario’s craft brewing industry have leveraged the network that exists among them and related firms to use and create knowledge that has helped them develop a market, stable institutional settings, generate frames to attract other firms and customers to the industry, overcome obstacles to trade, and undermine the position of macrobreweries in the Ontario beer market. An explanation of each of the empirical aspects that will be discussed later is presented throughout the remainder of this section, along with a thorough explication of the conceptual framework used for this study.
3.3 The Relational Perspective

Bathelt and Glückler (2011) explicate in *The Relational Economy* the relational perspective for analyzing economic evolution. Employing this type of relational analysis perspective can illuminate the interdependencies of the actors and factors involved in the development of an industry. The insights generated by addressing an industry’s interdependencies in their own context provide a more complete understanding of the industry’s evolution and trajectory than do other methods. At the core of this approach is the acknowledgement that an industry and/or market evolves as the result of intertwined economic and social processes (Bathelt & Glückler, 2011). These processes are dynamically shaped by, and shape the decisions of individual and group economic actors that take part in them within specific spatio-temporal and institutional contexts (Bathelt & Glückler, 2011). The authors advise that to avoid shortsighted evaluations researchers should focus on the micro scale using empirical examinations of firm-level development and interactions. Findings that are realized by examining an industry using a relational economic approach, as in this case study of Ontario craft breweries, shed light on the specific evolution of that local industry, and speak to the development of the overall industry or market (Bathelt & Glückler, 2011). Moreover, in the case of this research the relational perspective avoids the shortcomings that beset the often-cited, generalized explanations for the craft brewing industry’s emergence and growth described in the previous section.

The traditional economic conceptions on which the commonly cited craft brewing explanations are based are problematic in part because the assumptions that are made about actor motivation and/or decision making are outdated and/or over-simplified (Bathelt & Glückler, 2011; Nonaka et al, 2000). For example, neoclassical economics takes a static approach that assumes the perfect rationality of firms and buyers who act in the market to maximize their own profits or utility, and both sides of ‘the market’ adjust according to these preset principles: the actors are driven by purely economic motivations (Callon, 1998; Casson, 2003, p.12; Nonaka et al, 2000).\(^9\) Conversely, more recent work in economic sociology suggests that economic actors’

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\(^9\) The use of neoclassical economics as an example here is in part a rhetorical device used to identify in short order that previous economic conceptions are lacking. Although there are many more recent and more nuanced
behaviour is circumscribed by social conventions or cultural mores (Callon, 1998; Granovetter, 1985): in this case, actors’ decisions are driven by social considerations. Regardless, in these two cases, whether economic decisions are understood as driven by economic or social considerations, the actor making them is perceived as closed on herself, and outside actors or other considerations hold no sway (Callon, 1998, p.08). As a result, in either case the assumption is that economic processes are mechanical, which maximizes market efficiency, and no further exploration of them is required (Granovetter, 1985).

However, in almost all real-world situations the simplified, isolated actor does not exist, economic actions are not prescribed, and market processes do not maximize efficiency (Callon, 1998; Granovetter, 1985). As Granovetter argues, most behaviour, including economic behaviour, “is closely embedded in networks of interpersonal relations” that influence decisions and actions (1985, p. 504). With respect to craft brewing, embeddedness is an important consideration for many reasons, some of which include: 1.) the limited market range brewers have, which realizes closer physical and social links between producers, suppliers, and consumers as compared with macrobreweries; 2.) the shared comparable precarity of craft breweries success relative to their larger macrobrewery competitors; and 3.) the interaction within and among the firms involved (craft breweries with their suppliers and distributors) given the multiple and hands-on roles that founders often play in their firms. These three examples show that there are likely to be several economic, social, and/or personal connections that could influence the interactions between craft beer producers, suppliers, and consumers, and these connections may vary and/or be stronger compared with macro-brewed beer.

The influence of non-economic factors does not deny that actors are nonetheless motivated in part by economic considerations. Economic decision-making always incorporates economic considerations, but it is influenced to greater or lesser degree by social elements and considerations (Bathelt & Glückler, 2011). A relational understanding of economic action acknowledges that economic actors are embedded in the intertwined social and economic

understandings of economic processes, a comparison of them all is not central to the argument of this paper, and it is sufficient to use the example as an ‘ideal type’ against which to compare relational economics.
contexts in which they perform (Bathelt & Glückler, 2011). Bathelt & Glückler (2011) explain that the relational perspective allows for this more complete social and economic understanding of economic action in part by incorporating three interconnected considerations: 1.) contextuality; 2.) path-dependence; and 3.) contingency.

First, economic action is contextual because economic actors’ decisions and actions are dependent on the interactions and uncertainties that are ever-present in real-world situations. In part, the contextuality relates to embeddedness, but also, people carry with them different knowledge, experiences, and expectations, and the sum of those elements is particular to each of their interactions. In addition, context is temporally and spatially dependent: each place and time in which an action occurs requires particular considerations. Because of the particularities involved in each economic decision, even actors embedded in similar contexts faced with the same situation will often make different choices.

Second, Bathelt & Glückler (2011) write that economic action is path-dependent because each economic event precludes a myriad other alternatives that might have occurred. By way of example, taking the left fork of a road can lead to any of the opportunities along that route, but may or may not lead to any of the opportunities that are along the route to the right, and certainly not at the same time or in the same context as by having turned right initially. Once made, an actor’s decision presents a set of more and less likely options for the future, and at the same time eliminates other options. As a result, future action is determined in part by past actions. However, Bathelt & Glückler (2011) state thirdly that economic action is contingent because an economic agent is also free to decide to alter the trajectory she is on. The authors explain that while certain paths present themselves automatically, or offer less resistance, a reflexive agent may conceive other alternatives that she chooses to explore. Economic action is both path-dependent and contingent because while previous decisions influence future ones, economic actors are not bound by them.

In addition, as a result of the emphasis a relational approach places on economic action being contextual, spatio-temporal dimensions become a further important consideration in a relational analysis (Bathelt & Glückler, 2011). Space is not examined on its own to explain economic action, but neither is it considered as separate in a relational analysis (Bathelt & Glückler, 2011). Bathelt and Glückler emphasize that space “is the starting point for the
development of particular questions about localized economic phenomena... [because] such action physically materializes in place” (Bathelt & Glückler, 2011, p. 26-27). That is to say, the social, political, and institutional factors that are part of the context that influences an actor’s decisions only exist and/or are relevant within or across a given geographic space at a particular time.10

However, the various factors that affect an actor may not be bounded by the same geography11, and/or they may vary in importance to different actors. For instance, on one hand, an actor’s decisions may be constrained by laws or governmental policies that restrict or enable certain options across a fixed political boundary, such as a country or province. On the other hand, her decisions may be based in part on social expectations unique to a less spatially-defined or aspatial community of interest, be it ethnic, cultural, or social, such as in an ethnic enclave, an artists’ community, or a social circle in a city. The multiple socio-political factors that influence an actor’s decisions are intrinsically related to the locations in which she interacts, though they are not all fixed to the same extents.

Further, the importance of the various contexts in and across space can be complex, and may influence actors’ economic decisions in different ways. First, the context that influences an actor’s decision may be the result of separate social or political spheres that can overlap or nest in one another spatially: she may be affected by municipal by-laws, and also by the expectations of her social group that stretches beyond the municipal boundary. Second, two actors in the same location may be affected by separate social or political spheres, and therefore experience different contextual influences: both may be affected by the same municipal by-laws, but only one may be constrained by the expectations of the ethnic enclave in which they both live. The complexities that location has on individual actors’ decisions scales up - they must also be considered when examining an industry and/or market (Bathelt & Glückler, 2011). The development of an actor cannot be explained universally in all areas, nor assumed to have

10 Institutions and the importance of location are both discussed in greater detail later in this paper as they are also related to other aspects of this thesis.

11 In contrast, some natural or infrastructural resources have a fixed extent; for example, oil and coal are located where they are, there is little changing that, and mines must be located there also to extract those resources.
occurred in a certain way because she is located in a particular place. Likewise, an industry develops as a result of the particular context within which it is located, and like industries located elsewhere develop in somewhat different ways.

Despite the insistence that like local industries evolve differently in different areas, they also of course share some similarities. The obvious reason for this is that they are in the same overarching industry. For example in the North American brewing industry all of the firms involved use similar ingredients, equipment, and processes to some degree, and they have some similar legal restrictions, such as sales or consumption regulations, and taxes. Inasmuch as there is a ‘Western’ social outlook, they are all influenced by this. And the overarching industry may share national or transnational infrastructure elements. Other examples of how the industries are similar exist, but I am not suggesting infinite individuation. Although the relational perspective focuses on the particular micro-level interactions that lead to the evolution of local industries, because of their empirical, fine-grained research methods, the understanding they generate can be extrapolated from for generalizations to other local manifestations of an industry. In addition, multiple studies of this type can be compared to realize more complete understandings of the general evolution of an overarching industry. By incorporating contextuality, path-dependence, and contingency in a firm-level analysis of craft breweries in Ontario, this examination provides sound, empirically-based insights on the unique development of the local craft brewing industry and of the craft brewing industry overall.

3.4 Institutions

Institutions are an important consideration from a relational economic perspective because they are fundamental to the decisions actors’ make. Bathelt and Glückler define institutions as “forms of ongoing and relatively stable patterns of social practice based on mutual expectations that owe their existence to either purposeful constitution or unintentional emergence” (2014, p. 346). Hardy and Maguire explain that institutions are “formed as meanings come to be shared and taken for granted” (2008, 205). Despite conventional use of the term, institutions as defined here are not organizations. Institutions develop based on laws, rules, or expectations, they may be codified (formal) or not (informal), and some sort of repercussion can be expected if they are contravened (Bathelt & Glückler, 2014). By virtue of these criteria, institutions are specific to their temporal and spatial contexts: they exist at a time and within
geographically bounded areas, though there may be global ones, and some may reach across distant areas.

Three examples will help clarify the preceding definition. First, while the government (or trade, industry, professional, and/or social organizations) may set up laws (or rules) that actors are expected to follow, those organizations are not themselves institutions, though, they may play a role in defining institutions and institutional structure. Second, a law (or rule) may be an institution, but not all laws (or rules) are. For example, on one hand, drunk driving is illegal, and while not always the case in the past, nowadays drunk drivers routinely face legal penalties when caught, and it is not socially acceptable to drink and drive (in many places). On the other hand, the legal speed limit on most major Canadian highways is 100 km/h but it is usual to drive up to 120 km/h under normal driving conditions without legal or social reprimand. In the former case, a codified law is also now an institution, but in the latter case it is not, the informal convention that contravenes the law is the institution in this case.

Third, institutions may develop with no relation to codified rules at all. For example, despite technically being in direct competition with one another, it is common practice among craft brewers to ask for, offer, and provide help to other craft brewers when the need arises. This help may come in the form of advice on best practices, sharing supplies, or splitting the cost of third-party services, among other possibilities, and is exchanged among the oldest and newest breweries alike. In this case there is no formal agreement for the firms to abide by this practice nor is there a formal repercussion if they do not, but social capital is generated as a result of the institutional structure of the industry, and a brewer that declined to help would likely find herself excluded from accessing that capital in the future. Because institutions are generally understood and adhered to within particular contexts, they act as frameworks that guide actors’ decisions.

Once developed, institutional frameworks evolve more slowly than other processes going on within them (Loasby, 2000). For example, various business relationships may develop and change within the ongoing, slower-changing institutional framework of a certain industry. By virtue of their longevity, institutions facilitate decision-making by offering a level of security, or a constraint, on the likely outcomes or effects of particular decisions and actions (Araujo, 2007, 215). For example, as a result of established institutions, craft breweries in Ontario operate with certain assurances about the quality and purity of the ingredients they purchase, and
deal with suppliers whose prices they trust to be relatively fair and consistent; the brewers do not have to consider every potential concern and/or alternative product and supplier when making their purchases. In some other jurisdictions or industries, however, firms may not rely on the same institutions, and their operations may be less (or more) secure and efficient as a result. Because established institutions offer a sense of security and reduce transaction costs, actors are prone to stick with them rather than search out new options. As a consequence, institutions also act as a type of friction that limits radical changes to the status quo, regardless of whether the institutions are optimal, which is also referred to as ‘institutional hysteresis’ (Bathelt & Glückler, 2011, 2014). Because institutions are long-lasting and reliable, they facilitate economic decision-making and action.

Although institutions are long lasting, it is possible that they can be slowly changed, and in the case of new situations, for example the development of a new industry as in the case of craft brewing, new institutional frameworks may be developed. In this example, the firms that first established the industry had to develop institutions particular to the industry, and because the industry is quite young and still developing, so too are its institutions. From a relational economic perspective, institutions play an important role in the practical functioning and evolution of industries and markets, and as such are an important aspect of examination. This study examines the new and still evolving institutional framework under which Ontario craft breweries operate to identify how the craft brewing industry has grown and developed its market, and identifies several obstacles and advantages the local institutional framework presents to firms in the industry.

### 3.5 Markets

As mentioned earlier, economic considerations are of course a fundamental motivation for economic actors. In the case of the craft beer industry, simply, producers are looking to sell their beer, and buyers are looking to satisfy their wants by purchasing it. The transactions between these two actors take place in markets, the benefits and operation of which require

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12 The means by which institutions can be established and/or changed are discussed in greater detail later in this section.
clarification. Markets are beneficial for economic actors because as organized exchange platforms they facilitate large numbers of transactions between agents more efficiently than would be possible without them (Loasby, 2000). Here, efficiency is measured against a non-market situation, and should not be confused with the “idealized markets of perfect competition” (Granovetter, 1985, p. 484) suggested in neoclassical economic theory. Real-world markets differ from the ideal theorized market in at least two ways. First, despite conventional wisdom, there is no single ‘market’; rather, different markets exist for any number of different products and services, and multiple markets may exist for some of those products and services as well (Araujo, 2007). Second, as mentioned earlier, the idea of perfectly informed rational economic actors is not accurate in the real world (Callon, 1999; Granovetter, 1985). The actors that take part in markets “do not behave or decide as atoms outside a social context” (Granovetter, 1985, p. 487), they are embedded in multiple overlapping social, political, and institutional spheres that affect their decisions. While markets provide a more efficient space in which for economic transactions to occur, they do not present as the idealized, perfectly efficient venues suggested in traditional economic theory.

Markets are efficient in part as a result of a shared understanding of local market institutions among the actors who take part in them. Menard defines markets as “a specific institutional arrangement consisting of rules and conventions that make possible a large number of voluntary transfers of property rights on a regular basis” (1995, p. 170). He explains that institutions and markets operate at different levels, “with institutions being an overarching class” (Menard, 1995, p. 163) that define how markets operate. However, to be effective, in practice the rules and conventions to which Menard (1995) refers must be followed and enforced. As such, Menard’s rules correspond with the institutions discussed above, and can be understood as market-specific institutions, or market institutions. Market institutions, then, are subject to the overarching institutions present wherein that particular market’s context exists. According to Loasby, “the institutions of a market, like other institutions, help us to behave intelligently despite pervasive uncertainty” by limiting the number of choices an actor must consider (1999, p. 117). In a non-market environment (without institutions) actors would have to consider so many possible factors and potential outcomes that the transaction costs of making a decision might prove too high to even operate (Araujo, 2007). Because markets have established institutions,
they facilitate large numbers of transactions between agents more efficiently than would be possible without them (Loasby, 2000, p. 300).

Markets also facilitate more efficient transactions than would otherwise be possible because they are locales wherein sellers and buyers learn from and about one another in an ongoing, dynamic process (Araujo, 2007, 215-216). The ongoing relationships, connections, and actor embeddedness present in real-world markets contradicts the claims of neoclassical economics that actors approach the bargaining table at the outset of each transaction and leave without further interaction after the transaction concludes (Granovetter, 1985, Callon, 1998). The two parties are able to learn about one another because actors do not only enter markets momentarily, rather, they are embedded in their contexts (Granovetter, 1985). Actors are embedded in part because ongoing relationships develop among trading partners, often in a dynamic, reinforcing process. These ongoing relationships have the effect of “generating trust and discouraging malfeasance” (Granovetter, 1985, p.490) among trading partners in the market, which reduces transaction costs by eliminating the need to repeatedly vet new partners. Because lower costs are favourable, the ongoing trading relationships among groups of actors are reinforced, which leads to the development of yet more reliable expectations among them, and continued trade (Loasby, 1999).

Among the many options available to an actor, it is preferable to her to make a choice based on personal information derived from former dealings with another actor and/or a product in a familiar market than to use information from arms-length or even more distant sources (Granovetter, 1985). As a consequence, insular relationships can develop between partners who trade extensively among themselves by virtue of established, trusting relationships. The routine that develops between insular partners can be a drawback as it has the potential to limit the introduction of new, better options, at the same time as it facilitates trading between the set partners, (Bathelt & Glückler, 2011). This potential is a result of the path-dependence that is inherent in economic evolution and institutional hysteresis, as discussed earlier, and can be overcome if actors look for information, interaction, or other types of exchange from outside their core network of partners (Bathelt & Glückler, 2011). Thus, it is important to consider the interactions among firms in a local market as well as the interactions they have with individual and/or group actors that are exogenous of either their market or locality. In any case, long-term relationships and trust that facilitate trading grow by virtue of non-economic factors - their
embeddedness - as well as cost considerations that influence actors’ decision-making in the practical course of market operations.

Callon (1999) suggests that framing is another device by which conscious market decision-making is eased. Framing is an operation that defines human or non-human agents clearly such that they are distinct, identifiable and separable from other goods and actors. According to Callon, actor embeddedness is the result of relations and connections which stem from a 'primitive' reality that is fundamental to the type of coordination exhibited in markets. However, these connections go on ad infinitum, and “a clear and precise boundary must be drawn between the relations which the agents will take into account” (Callon, 1999, p. 186) when making a calculation, for example to make a market decision, such as: ‘buy this as opposed to that’. In short, framing clarifies the ‘agents’, which are the human and non-human actors that are part of the subject of consideration (e.g. the buyer, the seller, and the goods), and ‘externalities’, which consist of all other information deemed extraneous to the actors and decision making process (Callon, 1999). Further, it is framing that distinguishes products in a market from one another, and by which consumer calculation is possible. For example, in the case of beer, craft breweries, their products, and the industry are framed as distinct from their macrobrewery counterparts, which sets a clear difference between their respective products, despite any similarities they may share. As a result of framing, actors are able to compartmentalize and thereby focus on, and understand their surroundings and interactions in order to make market calculations (Callon, 1999).13

Understanding the institutions, interactions, and framing processes that realize and are realized in a market is essential from a relational economic perspective (Bathelt & Glückler, 2011). This research therefore examines the Ontario craft brewing industry at the firm-level to establish an empirical understanding of how firms, and other actors and organizations, interact in it, to explicate the current market institutions, and to identify how the industry was framed and the effect framing has on it. The findings of this research shed light on how the local industry and market were established and how they have developed. Also, compared with many other industries, and with craft brewing in some other locations, the local craft brewing industry is still

13 The process by which framing occurs is discussed in greater detail later in this section.
at a relatively early stage of its development. Because of the local industry's young age, this research examines the institutions under which the industry operates soon after their establishment. As a result, my findings may reveal a more accurate picture of market-making and institutional formation compared to studies conducted longer after the founding of an industry. Finally, the empirical findings realized by this localized, firm-level research also speak to the evolution of the industry at a more generalized spatial scale, and add to the literature a reliable, grounded explanation of how the overall industry may have developed.

3.6 Institutional Entrepreneurship and Market-Making

As established in the preceding sections: 1.) institutions are quite stable structures that guide actors’ decisions; and 2.) markets are institutional structures that themselves operate under relatively slowly-evolving, overarching institutional frameworks (Bathelt & Glückler, 2011; Menard, 1995). While institutions are stable, however, they do evolve over time, and whole new institutions and markets can be established. Reflexivity and action on the part of determined actors can extend progress away from the status quo of established institutions if those actors are unhappy with the norm, and/or perceive or discover better alternatives (Bathelt & Glückler, 2014). The following discussion draws on literature from the study of institutional entrepreneurship and market-making to develop an understanding of how new institutions and markets are developed. I argue that this explanation provides a more complete description of how the craft brewing industry has developed than do either of the two traditional explanations offered in the academic literature on their own.

Institutional entrepreneurship “represents the activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones” (Maguire, Hardy, & Lawrence, 2004, p. 657). Institutional change requires that institutional entrepreneurs “dislodge existing practices (in the case of mature fields), introduce new ones, and then ensure that these become widely adopted and taken for granted” (Hardy & Maguire, 2008, 206) by actors involved with them. In the case of market institutions, entrepreneurs and/or the firms that operate are the actors who initiate institutional changes. Germane to this project, institutional entrepreneurship has also been identified as contributing to the formation of new industries and markets, including a suggested role in the development of the craft brewing industry (Rao & Giorgi, 2006). Developing new institutions is not a
straightforward or simple task in new markets without competition; however, it is even more
difficult in the case of craft brewing where the actors involved are faced with competition from
powerful existing firms who sell a product that potential consumers already purchase.

To achieve their goal of changing the status quo, institutional entrepreneurs must
mobilize resources, including: materials, symbols, and people (DiMaggio, 1988; Hardy &
Maguire, 2008). However, the firms that have these resources most at their disposal tend to be
large and established. By virtue of their existing status and success, though, these incumbent
firms have little incentive to help establish new institutions or open new markets, and potential
change may in fact act as a disincentive to established firms if it holds the possibility of
economic loss or instability for them (Hardy & Maguire, 2008). Conversely, smaller actors
operating on the periphery of a market often have more to gain from institutional change in their
industry, and so are motivated, but they also tend to have fewer resources to draw on (Hardy &
Maguire, 2008). This pattern can be identified in the brewing industry, with macrobreweries
having long upheld the entrenched status quo, and small craft breweries attempting to find
success under very different market institutions. Due to the status quo and existing power
structures, small new firms are more likely but less capable of establishing institutional change
than are large firms.

Institutional entrepreneurs often do not have the individual power to effect institutional
change, nor do the firms active in establishing new market institutions have the power or
employees to accomplish this change on their own. They often must mobilize other people to
help them. To activate and mobilize people institutional entrepreneurs must communicate to
others why the changed or new institutions (or market) they are proposing are important (Hardy
& Maguire, 2008). In this sense institutional entrepreneurs may act in similar function as do
social movement actors. Social movements are actuated by social movement actors, who are
viewed as being “actively engaged in the production and maintenance of meaning for
constituents, antagonists, and bystanders” (Benford & Snow, 2000, p. 613). Social movement
actors grow social movements by means of framing. Social movement actors use frames to
clarify and distill ideas, and to construct meaning as frames allow people “to locate, perceive,
identify, and label” the phenomena of their lives to render meaningful what would be too
complex to be meaningful otherwise (Goffman, 1986, p.21). In doing so, the social movement
actors are able to define their grievances as recognizable cultural symbols, link them to their proposed solution and mobilize people behind them (Tarrow, 1994).

While social movements are often associated with attempts to change societal understandings of ‘injustice frames’ – consider the women’s suffrage or equal rights movements in the previous century – they do not need to be de facto based on them (Benford & Snow, 2000). For example, both the local food and slow food movements - which to varying degrees focus on a return to culinary heritage, craft, and concern - may seem trivial compared to the two above examples, but they have been examined and found to be legitimate social movements in their own right (Starr, 2010; Pietrykowski, 2004). The ‘local’ social movement in general involves the framing of particular goods as ‘better’ than conventional goods in some way. In some cases the goods are portrayed as more wholesome - fresh, local, organic food for example. In others they are culturally more valuable, as with goods that are handcrafted by local ‘artisans’. They are also often depicted as socially more valuable than conventional goods because the dollars that buy them stay within ‘the community’ and/or out of the hands of corporations, which are almost invariably demonized. Regardless of the facts or truth behind these claims, which will not be discussed in this thesis, the gist of the local social movement resonates with the current Western ethos, and are widely accepted by consumers in Canada and the U.S. Craft breweries and craft beer supporters often leverage the small, local scale of craft breweries to make claims similar to those just mentioned about craft beer and the craft brewing industry in contrast to the microbrewing industry, along with its firms and product. This research examines the ways that craft breweries have been presented, by internal actors, the media, and the public, to identify how framing has been used as a means of institutional entrepreneurship and market-making to attract activist entrepreneurs and customers, using claims about the industry and its products.

To circumvent their individual limited material resources, institutional entrepreneurs also sometimes rely on exchange mechanisms with other actors to improve their lot (Hardy & Maguire, 2008). In the craft brewing industry, for example, firms sometimes practice in-kind trade with other brewers to alleviate financial costs based on an ‘us against them’ notion with respect to macrobreweries. Institutional entrepreneurs may also rely on the material resources of the government or legal system to foster change (Hardy & Maguire, 2008). Another example from the craft brewing industry helps illustrate this tactic: the recent change in Ontario’s liquor
laws that allows craft brewers increased distribution options was dependent on the government acting in favour of the smaller breweries and against the established market institutions that favoured the three macrobreweries who owned The Beer Store retail outlets in the province. However, both of these resource-alternative means that craft brewers have used to establish new institutions demand a certain amount of momentum. With respect to the former example, there need to be sufficient other breweries near enough to one another for them to identify as a group and share resources. For the latter example, there has to be enough industry clout and public support to prompt the government to institute new legislation. The alternative means by which institutional entrepreneurs can garner the power needed to change the status quo require that they attract outside support for their efforts.

Two means by which institutional entrepreneurs can generate the momentum required for change are examined in this research. First, institutional entrepreneurs can frame an industry such that it gathers supporters, including new firms and consumers, similar to social movement actors, as described above. Second, institutional entrepreneurs can guide by example based on their own trial and error experiences in a market. Entrepreneurs who choose to develop (or enter) a new market face more uncertainty than those who choose to enter an established market that has active trading partners and a stable institutional framework. Casson (1982) identifies six obstacles to trade in a new market: 1.) no contact between buyer and seller; 2.) no knowledge of reciprocal wants; 3.) no agreement over price; 4.) need to exchange custody of goods and pay taxes and tariffs due on the transaction; 5.) no confidence that goods correspond to specification; and 6.) no confidence that restitution will be made for default. It would be inefficient to approach each of these obstacles at the outset of every transaction, so it is in the best interest of the entrepreneur to establish market institutions that alleviate the obstacles and uncertainties. Over time, as firm (or several firms) achieve success toward the goal of making a new market, other entrepreneurs may choose to enter the market or to adapt their operations based on the means that have proven successful, which often benefits the initial firm as it extends the market reach and can strengthen nascent institutions (Bathelt & Glückler, 2014; Loasby, 2000). In the craft brewing industry firms take this competitive co-operation model even further by often actively helping new firms start out by sharing information on best practices, allowing prospective brewery founders to train at established breweries, and even providing space for other craft brewers to brew their beer in some cases. Collaboration and information sharing is in
fact common among craft breweries at all stages of their development, and presents a unique means of overcoming the obstacles to trade and growing a new market. Institutional entrepreneurs who undertake to establish new markets must overcome initial obstacles to trade, but once they develop successful means to do so, the market may become more appealing to other entrepreneurs, who can help further bolster the market and its institutions.

Given that the fundamental characteristic and benefit of markets is the facilitation of transactions between buyers and sellers, an essential part of market-making is for firms to identify and attract customers. The impetus for a market transaction is the desire on the part of the buyer to solve a problem she perceives, and the result of the transaction is the exchange of a good or service (though this discussion focuses on goods) provided by a seller (or entrepreneur) who had the forethought (or intelligence or good fortune) to perceive the problem in advance (Casson, 2003; Menard, 1995; Loasby, 1999). While the same good is exchanged between a buyer and a seller in a market, the two parties do not perceive this good in exactly the same way (Callon et al., 2002; Loasby, 1999). For example, while a seller may think their product is the best in its category because it is the most technologically advanced piece of electronics available for a certain operation, a buyer may perceive it as over-complicated. In this case the buyer may not be willing to pay a premium for the good that he perceives as inconvenient despite the seller’s perception of it as ideal and more valuable than other options. With a product as subjective as beer, about which each person may have a personal favorite characteristic, differences between the seller’s and buyer’s opinions are inevitable. In most market transactions, regardless of what the seller thinks she has to offer, the decision to purchase a good is based on the customer’s evaluation of it, whether or not that opinion is founded (Callon et al., 2002; Loasby, 1999; White, 1983).

A firm learns about how the good it offers is perceived by consumers through observing how the good performs in the market, and it is by trial and error responses that the firm can learn how to improve the product vis-à-vis consumer expectations, better distribute it, and grow their market (White, 1983; Callon, Méadel, & Rabeharisoa, 2002). Two observations that are important for firms in the craft brewing market include: 1.) the customer's perception of the quality of the product; and 2.) the perceived value of the product to customers. The hands-on approach that craft brewers take to distributing and advertising their beer - for example through personal relationships with local licensees or regular attendance at craft beer festivals - provides
a significant benefit to the firms by giving them first-hand knowledge of customer’s opinions and valuations of their products. A firm can make adaptations based on consumers’ responses to its product(s), and through a combination of deliberate decisions and happenstance as a result of trial and error, over time the firm may succeed in creating a viable space for itself in a market (Loasby, 2000). The adaptations a firm makes to its products and practices in response to its performance in the market are one of the ways that firms make and grow their market. This research examines the unique institutions in the craft brewing market that provide breweries with access to knowledge about their customers that helps them grow their sales and market reach in competition with macrobreweries despite a lack of resources compared with them; and also in competition against other craft breweries with similar resources.

Firms can also make and/or grow a new market by attracting customers from a similar competing market; however, attracting these customers is often not just a simple matter of offering a new product. Potential customers (except perhaps in markets with revolutionary products) are usually already familiar with established brands, and they often already have a preference for a certain brand. Customer preferences may be based on any number of qualities that may be intrinsic to the good, but may also be extrinsic, including: brand, image, and/or sales location (Callon et al., 2002). For example, for decades North American beer consumers drank beer from different macrobreweries that was essentially indistinguishable by flavour, but about which consumers were nonetheless very brand loyal (Howard, 2014). In this case, the macrobreweries had ‘branded’ their products such that consumers identified strongly with the image that was projected for the product, as opposed to preferring it based on flavour, despite the consumers’ possible claims to the contrary (Carroll & Swaminathan, 2000; Howard, 2014). As such, to make their market, or at least to grow it to current levels, craft brewers had to attract existing beer drinkers away from their preferred brands.

Callon et al. (2002) describe the process of attracting consumers from rivals as one of detachment and creating a different attachment. The authors explain that the detachment process requires that firms get consumers “to requalify the different products offered to them” (Callon et al., 2002, p. 205). By presenting a product in a certain way, or ‘qualifying’ it, a firm can make a consumer aware of a difference in the new good, dislodge her from the product she purchases by routine, and persuade her to try the new one. At the same time, a consumer’s requalification of similar products relies on the firm establishing a resemblance between the new and old products
that allows a consumer to identify a correlation between her reasons for purchasing the former product and switching to the new one (Callon et al., 2002). The qualification of a product thus requires a firm to clearly distinguish the two goods, which can be achieved through the framing process discussed earlier, while also making clear their similarities.

Similar to understanding the value of its product, a firm can try to determine how best to balance the novelty and familiarity of their offering, or to frame it, to attract new customers “by trial and error and the progressive learning it allows” (Callon et al., 2002, p. 204). Firms must observe and take into account consumers evaluations of their product, and make adaptations based thereon (Callon et al., 2002). Craft brewers have been able to successfully make their market by doing just this. Most breweries make concerted efforts to interact with licensees and/or the public (more so than do macrobreweries) by going (or sending trusted, knowledgeable brewery representatives) to beer bars, craft beer festivals, and other local events to promote and get feedback about their products. Craft breweries also use specialized social media, such as dedicated websites and mobile applications, on which regular consumers rate and review beers, to gather feedback about their products. The breweries’ interactions with consumers through these types of events, venues, and mediums further develop relationships with these consumers who, in turn, develop yet stronger attachments to the firms. Thus, the consumers’ attachment to the craft breweries helps pull them away from products that they previously purchased by routine. Again, the craft brewers in this case have developed unique institutions that allow them to circumvent and undermine the status quo of the established macrobreweries and establish a new competitive market despite their relatively limited resources.

In addition, the introduction of a new category of customer is another factor that can spur institutional entrepreneurs to establish a new market, or increase a market’s size (Loasby, 2000). New customers may arise for various reasons, but one reason of particular interest here is changing public tastes as a result of social movements. The ‘Local’ and ‘slow’ food movements have generated increased consumer demand for local products from a growing part of the population, sometimes called ‘locavores’ (Desrochers & Shimizu, 2012; Starr, 2010, Pietrykowski, 2004). Locavores are an ideal market segment for most craft breweries, which often have limited market range. As discussed earlier, the craft brewing industry has been framed in such a way that it is attractive to the ‘locavore’ consumer. However, similar to neolocalism as explained earlier in this section, the local cultural turn is not a sufficient
explanation in itself to explain the development of the craft brewing industry, though, it has been used to frame the public’s perception of craft beer and breweries, and may be a contributing factor in the craft brewing market’s growth.

3.7 Summary

This section is divided into four parts. First, it provides a brief critical review of two theories that are most often used in the literature to explain the emergence of the craft beer market. Although these theories make some sense in hindsight, and the processes they describe have played a role in the development of the industry, they are not based on strong empirical evidence, and are insufficient to explain the development of the Ontario craft brewing industry. Second, the importance of location to firm development is discussed, and the value of the relational economic approach to examine institutional entrepreneurship and market-making using the Ontario craft brewing industry as a case study is identified. Third, the value of the spatially-oriented, micro-level analysis are discussed as the underlying conceptual framework for this research and a general overview of the relational economic perspective is presented. Because localized firms, industries, and markets operate in specific contexts, it is important to examine their particular contexts to realize an accurate understanding of their evolution. Fourth, the theoretical concepts upon which the empirical research for this thesis is based are introduced. Throughout this, a relationship between institutions and markets, is established, and it is explained why it is important to look at local institutions to understand the local market. Further, my explanation of institutional entrepreneurship and market-making processes identifies the importance and value of examining how craft breweries interact, and how they have gathered and created knowledge about themselves, their products, and the market, to grow their firms and market reach through framing, and overcome obstacles to trade.
4 Methods

The methodology for this thesis involved two types of qualitative research methods. First, secondary research of traditional academic literature was conducted to establish the conceptual framework developed in the previous section. Second, semi-structured interviews were performed with craft brewery owners and/or founders, and/or personnel in key positions at the firms to gather the primary data on which my analysis was based. Combining these two methods fills in gaps that either method on their own would have had, thus providing a more thorough understanding of the industry’s development for analysis and on which to base findings.

4.1 Methodology

4.1.1 Secondary Information Collection

Secondary textual material can provide valuable data and information in a number of ways. First, it provides context for primary data collected through interviews (Clark, 1997). Second, the analysis of secondary documents is a useful way to gain additional insight in qualitative research as it provides access to information that may not be offered in interviews (Esterberg, 2002). Third, for many reasons including but not limited to memory lapse, knowledge gaps, participant perspective, and reticence, not all of the information that is relevant to a research project can be acquired through interviews alone. Secondary data provides a body against which to compare and/or verify participants’ statements, claims, and opinions as provided in interviews.

This research draws secondary textual material from both academic and non-academic literature. The academic literature used for this project can be divided into three categories: 1.) research on market-making and institutional entrepreneurship, which falls broadly under the umbrella of economic sociology; 2.) literature that discusses knowledge-creation within and/or between firms and/or industries, largely from economic geography and management studies; and 3.) the limited academic work on the craft brewing industry, most of which examines historical, geographic, socio-cultural, and economic characteristics associated with craft brewing. This
literature helped to identify what the current conceptions are among scholars about how and why the craft brewing industry has developed as it has.

The non-academic literature reviewed for this project include industry publications, government publications and popular media. Industry literature included annual reports, firms’ websites, and trade journals, among other sources, and provided firm- and industry-level data, statistics, and historical information. Government literature included a variety of industry–relevant documents and publications on subjects including: liquor production and sales, laws and regulations, taxation and incentives, and crop yields. Popular media included craft brewing-related newspaper and magazine articles, advertising, books, and blogs, the two latter of which provided most of the information used to understand the industry. In general, the non-academic literature helped to inform, identify, and/or provide information about: 1.) industry actors and the research project’s sample frame; 2.) industry and/or firm strengths and weaknesses; 3.) industry and firm histories.

In addition, secondary information extracted from historical documents such as newspapers, magazines, and blogs can add a level of objectivity to a research project (Denscombe, 2002). As mentioned, secondary sources can also provide a verifiable record of events for use on their own or for comparison and contrast with information provided by interview participants. For these reasons, this research also utilized online blogs, newspapers, and industry websites and publications. However, according to Scott (1990), researchers should assess the quality of documents and the information contained within them, according to four criteria: 1.) authenticity, or whether the information is genuine; 2.) credibility, or whether the document contains errors or distortions; 3.) representativeness, or whether the information is typical of the subject of analysis; and 4.) meaning, or whether the meaning of the information is clear. These four criteria were considered while reviewing the documents used to gather secondary information for this thesis.

4.1.2 Semi-Structured Interviews

Semi-structured interviews - which are commonly used in human geography (Valentine, 1997) - with key actors (the research participants) in the local craft brewing industry – were the major source of primary data for this thesis. Interviews are appropriate when a researcher plans
to focus in depth on the research rather than to gather a breadth of information on the subject, and is interested in the participants’ experiences. By using well-informed, key actors, researchers can gather information for a project from a smaller number of individuals than by interviewing a broad swathe of less-informed participants (Denscombe, 2003). Given the importance the relational perspective puts on examining an industry from a micro level (Bathelt & Glückler, 2011), interviews were identified in this research as an ideal method. The research participants were, as often as possible, craft brewery founders, owners, and/or head brewers. One interviewee was a political figure that was mentioned in several other interviews, and whose personal input was deemed important. The participants’ prominent positions in their respective firms meant that they were well informed about their firms’ histories and decisions, and thus best suited to provide reliable, in-depth information about my research topic.

Participants were interviewed using a semi-structured format: interviews were conducted using a prepared guide with open-ended questions and topics for discussion. This interview structure allows participants to reply with more flexibility and personalized responses than some other methods, such as using closed format questions, but provides a guide nonetheless (Bryman, Teevan, & Bell, 2009). Semi-structured interviews are “designed to bring out how the interviewees themselves interpret and make sense of issues and events” (Bryman et al., 2009). By allowing the informants to share their knowledge and experiences in their own words, I was able to gather information about how actors operate and interact in the Ontario craft brewing industry, and how the industry developed as it is understood by people who are actively engaged in it (Esterberg, 2002).

4.2 Research Design: Case Study

Bryman et al. describe a basic case study as “a detailed and intensive analysis of a single case” (2009, p. 38), where a ‘case’ can include various entities, from a single person to the population in a province, an organization, or an event. Further, the authors define a ‘critical case’ as one where the case is chosen for its potential to realize a greater understanding of a particular hypothesis, and to test whether the hypothesis holds (Bryman et al. 2009). In addition, Yin argues that the defining characteristic of a case study is that it examines “a contemporary phenomenon in its real-life context” (1981, p. 59). This research examines the Ontario craft
brewing industry, in an effort to validate the hypotheses that the industry’s emergence is due in part to the institutional entrepreneurship efforts of industry actors, and that the industry has developed unique institutional characteristics that have supported this process of making a viable market.

A concern about the case study structure of the proposed research design relates to the duration of this study. Although there is no prescribed duration for a case study, the method seeks to investigate a case ‘intensively’. Eisenhardt (1989) suggests that researchers should stop adding cases when they reach the point of saturation, or when no new information of significance is being gleaned from new research. There is not, however, a set ‘saturation time’ for case studies. However, as Eisenhardt notes: “theoretical saturation often combines with pragmatic considerations such as time and money to dictate when case collection ends” (1989, p. 545). Because of time restrictions, the end of primary data collection for this case study was July 2016, starting originally with explorative work in January 2015. While this is a limited time period, the local craft brewing industry has not yet been examined from an academic perspective, and this project serves an important exploratory role in doing so. I am confident that sufficient data was collected and thoroughly analyzed during the research phase of this project to reliably describe the formation, development, and salient characteristics of the industry and market.

An important characteristic to acknowledge about a research project designed as a case study is that the case is not necessarily representative of all similar cases (Denscombe, 2003). A case study represents “one of a type” (Denscombe, 2003, p. 36, citing Hammersley 1992). As such, this research does not assume to explain in full the development of craft brewing everywhere. The understanding that contextual differences make each industry and market different is also central to the relational economic perspective, and so the method matches the conceptual framework for this project. However, case studies do add to the breadth of research on an industry, and in this case illustrates ways that the conceptual theories underpinning this research apply to real-world situations. In addition, because this research employed an inductive approach, in which the empirical evidence has helped guide and generate the theory described in this project, it is important to note that what is presented here is just one of maybe other potential interpretations of the data (Bryman et al., 2009). Notwithstanding, reflexive and critical analysis of the data has allowed me to present credible findings that allow for generalization when
combined with careful consideration and comparison with other instances of the same industry elsewhere.

4.3 Population and Case Selection

This case study investigates the development and current status of the Ontario craft brewing industry at a micro scale through interviews with craft brewery owners and brewmasters, as well as one politician. Eisenhardt (1989) stresses that strong case studies rely on appropriate population selection to control variation and permit suitable generalization of study findings. Unfortunately, there is no official definition for a ‘craft brewery’ in Canada that can be used to define the population. To overcome this limitation, I have adopted the U.S.-based Brewer’s Association’s (BA) three-part definition of a craft brewery defined in the introduction section of this thesis: 1.) small; 2.) independent; and 3.) traditional. Breweries were required to meet these three criteria to be considered as being part of the study population.

Moreover, three types of craft brewery are generally distinguished in the literature: 1.) microbreweries; 2.) contract breweries; and 3.) brewpubs. The first two classes identify breweries by type of ownership: microbrewers own a brick-and-mortar establishment, while contract brewers rent space and/or equipment from brick-and-mortar breweries. The third type, brewpubs, identifies a brewery with an attached bar and/or restaurant space. Any brewery from either of these three types of breweries were considered for inclusion in this case study provided that the brewery also met the BA’s definition of a craft brewery, and that it was in operation as such in Ontario at the time of interview.

The Mom and Hops (MnH) Ontario Craft Brewers Directory (OCBD) (n.d.) served as the main source from which cases were drawn. Although there is no exhaustive list of all craft breweries in Ontario (according to any definition), by comparing the OCBD against three other major online directories, it became clear that it is the most exhaustive listing of Ontario craft breweries available. Aside from its industry coverage, three other aspects of the OCBD require

14 The three directories include: 1.) the MOF (2014, March 31) Beer manufacturers/microbrewers and brands list; 2.) Ontario Craft Brewers’ (n.d.) Brewery Locator; and 3.) Brewers Association’s (n.d.) Find international breweries directory.
clarification. First, the MnH website does not define what are considered ‘craft brewers’, or by extension the criteria for inclusion in the OCBD. Although none of the national brewers with facilities in Ontario (Labatt’s, Molson, Sleeman) are included on the OCBD, it is possible that it includes breweries that do not meet the ‘traditional’ criterion of the definition above. As such, before inclusion as a case, each brewery under consideration was investigated as thoroughly as possible using online resources to ascertain whether it met the needed criteria. Breweries that did not meet the three criteria (at the time of research) would not have been considered for inclusion, though in the end no potential participants failed to meet the criteria. Second, the OCBD appears to take a neutral position toward the breweries listed: it is not a paid service, it does not overtly promote select craft brewers over others, and no special affiliation with MnH is required for inclusion on the list. Because of its equitable characteristics, the OCBD is not likely to have unduly influenced the selection of candidate participants for this case study. Third, although the OCBD has been identified as the best resource available from which to identify potential cases, it is not exhaustive, and while no breweries were identified or interviewed that are not in the OCBD, some may exist, and they may – at least potentially – represent unique characteristics different from the breweries included in this study.

Of the 275 craft brewers listed in the OCBD at the outset of the interview process, 205 met the above population criteria and were eligible for inclusion in this case study. Although it may have been desirable to interview actors from each of the firms to gain a truly representational understanding of the industry, the time and effort required to do so were beyond the scope this project. The target number of cases was intended to be twenty to thirty breweries (approximately 10-15 per cent of the population) or until saturation was reached. 18 breweries were interviewed in the end, and saturation was reached for most questions. Questions that did not reach saturation are identified in the discussion of findings later in this thesis.

This project did not use statistics to test the probability of any hypothesis and thus did not require a random sample. Theoretical sampling is acceptable, and in fact may be preferable for explorative case studies with limited numbers of cases, and as a means of extending theory (Eisenhardt, 1989). Participants for this project were selected initially using a convenience approach. However, as interviews progressed, efforts were made to include participants from each brewery type, from various regions around the province, and also to include women who are underrepresented in the industry. The goal was to ensure findings were based on as diverse
viewpoints among brewers as possible within the project’s limitations. The cases selected do not numerically reflect the distribution of firms by type or geography, nor are they limited to a particular type or region. Although it is hypothesized that all of these brewers represent a single population, differences exist among the breweries interviewed in terms of type, region, or proximity to one another, which if further analyzed may show more granular differences in response patterns; however, a greater level of granularity was not deemed necessary for this project.

While a non-probability sampling approach was appropriate for this project, it also raised the possibility of certain problems that required vigilance to take note of and actively mitigate. First, the number of interviews, and the intention to identify various viewpoints could have been problematic in that an abundance of data was collected to draw on for analysis. In some cases, too-rich data pools can lead to over-complicated theory building (Eisenhardt, 1989). To mitigate this, the data collect was carefully considered to identify the differences between important relationships and those that were merely idiosyncratic to particular cases, to ensure clear and accurate findings are presented. Second, when choosing particular cases (apart from cases selected by convenience) it was important reflect and ensure they were selected to gain a more complete perspective on the industry, rather than because they were more likely to support particular findings. Third, the participants who agreed to take part in this research may represent a subset of the population who are particularly open, and interested in collaboration with actors outside and/or inside the industry, and/or less motivated by economic considerations, and may have skewed the results of this analysis toward the industry appearing more collaborative and/or embedded than it is.

The research population for this study consisted of nineteen actors in or related to the Ontario craft brewing industry: seventeen were brewery owners, five of whom were also co- or head-brewers at the firms; one was head brewer; one participant played a different key role in his firm that gave him ample access to the information required for this project; and one participant was a political representative who heads a craft brewing-related task force. At the time of the interviews, eleven of the eighteen firms included were brick-and-mortar craft breweries, two were brewpubs, one was a contract brew pub, and four were contract breweries. Of the eighteen participants from breweries, fifteen were male and three female; the political representative was also male.
As owners or head brewers it was expected that these individuals were sufficiently familiar with their firms’ past and current activities to provide knowledgeable answers to the questions asked in this research. In some cases participants were not with the firm at its founding stage and were not able to provide answers to certain questions (e.g.: What stimulated the founding of this firm?; Who were the individuals and/or organizations inside and outside the firm who played a key role in its development?). Also, naturally, some participants may not have been as well informed about their answers as other members of the firm. However, all responses were considered equally valid.

4.4 Data Collection

4.4.1 Collection of Secondary Textual Materials

Secondary textual materials were identified through web searches. Firm websites were consulted, and popular craft beer-related social media sites and blogs were reviewed. The social media sites reviewed include Untappd.com, Ratebeer.com, and Beeradvocate.com. These social sites have an international focus. The blogs exhaustively reviewed for this research include St. John’s Wort (stjohnswort.ca), Ben’s Beer Blog (bensbeerblog.com), and A Good Beer Blog (beerblog.genx40.com), all of which focus on Ontario and beer produced in the province, but are not exclusive to it. A Good Beer Blog in particular was started in 2004, and the early years of that blog deal with international beers more so than Ontario beer, likely by virtue of a relative dearth of local beer at the time. Likewise, other blogs and newspaper articles were considered as they were identified piecemeal on the internet. As explained earlier, the secondary textual data collected for this project informed the theoretical grounding and population decisions made for this project.

4.4.2 Organization of Semi-Structured Interviews

The initial participants for this research were selected using a convenience method. All participants were presented with a letter of introduction explaining the research project, the reason that they were being contacted for this project, as well as information about confidentiality and informed consent. During the summers of 2014, 2015, and 2016 I
volunteered and attended craft beer festivals at which I introduced myself and my project to craft brewery owners and head brewers in attendance. These potential participants were subsequently contacted by phone and/or email, and interviews were formally set up. Twelve interviews were set up in this way. The subsequent six interviews were set up from the remaining firms in the population with more consideration exercised for the location of the firm and the gender of the participant. Firms were contacted ‘cold’. A standard letter that was slightly personalized to each firm describing the project, asking whether the firm owners would be interested in taking part in this project, was dropped off by the researcher in person to firms in Toronto, and via email to firms elsewhere in the province.

The participant response rate differed for each of the means used to identify them. Nearly every brewery representative I spoke with in person at the festivals said they would be inserted in taking part in this research, and in time interviews were set up with 70 per cent of them. In two cases scheduling became a problem and interviews were cancelled and were or could not be rescheduled. Response was lower for participants who were contacted ‘cold’: five of the twelve hand-delivered letters elicited a response, and three interviews were eventually set up from those. Two brewery owners responded but were in the process of expanding their locations and could not spare the time. The response rate to email-only inquiries was lower, only three brewery representative responded from about a dozen emails sent out, but each of these was positive and led to an interview.

All participants were either provided with a physical or digital copy of an Informed Consent Form. This form explains to the participant the purpose of the project, and emphasizes that personal information and interviews are treated confidentially. Prior to an interview, the information in the informed consent form was verbally summarized to the participants, and they were asked for verbal agreement. Interviews were audio recorded with the informants’ consent. Upon completion of the interview, recordings were transferred to a password-protected folder on the researcher’s personal computer and deleted from the recording device. Transcribed interviews are also stored in this folder.

Interviews for this project took place between January 2015 and July 2016. The interviews took between 30 minutes and 1 hour and 45 minutes, with the majority lasting about one hour. Eight of the interviews were conducted by telephone, and eleven in person. Nine of
the in-person interviews were conducted on the premise of the respective participant’s brewery (in the case of one contract brewery, the space was more akin to a traditional office), the political representative, a city councilor, was interviewed in his office at Toronto City Hall, and one brewery owner was interviewed at a coffee shop between his sales calls.

The interviews followed a guide comprised mostly of open-ended questions that allowed me to investigate the firm’s history, and past and current operations and decisions. Closed questions included date of firm founding, output capacity, number of employees, and other specific information about the firm. The use of a semi-structured approach allowed for a freer exchange with participants (Esterberg, 2002). The interview questions prompted the informants to discuss, how and why the firm was founded, how it established its market, and interactions with other actors in the industry. A sample of the guide is included in the appendix. The guide is split into eight thematic sections: 1.) Firm & Participant Overview; 2.) Market & Logistics; 3.) Firm Identity & Market Development; 4.) Competition; 5.) Services; 6.) Employees & Training; 7.) Institutional Context; and 8.) Participant, Firm, & Industry Future. The first section identifies information about the founding of the firm, current firm metrics (e.g. employee count and production volume), recent changes and planned major investments in the firm, and why the participant entered the industry; it serves as a high-level overview of the firm and the participant. The second section examines the means and extent of product distribution, to identify how the firm reaches the market and its market reach. The third section explores how and why the firm presents itself in the market as it does. The fourth and fifth section identify who the firms’ competitors and suppliers are and how the firms interact with them. The sixth section investigates in more detail the employee pool, whether formal training is required for the industry, and whether formal training is available for it. The seventh section establishes what other actors and factors are significant to the industry (apart from other breweries and their suppliers, e.g. government or industry organizations), and the types of interactions that occur among the relevant actors. The final section asks the participants to discuss any pressing issues they may have that have not been touched on beforehand to ensure there is a channel for other, unanticipated but salient information to enter this study.
4.5 Data Analysis

Once participant interviews were completed, eighteen of the recordings were transcribed using VLC, a simple playback software, mostly in summary but also verbatim for sections of the interview that were immediately considered to be important. The interview with the city councilor was not deemed necessary to transcribe, as the questions were somewhat different from those other participants were asked, and the information required from the interview was simple to add to the analysis. The transcribed interviews were assessed in a mostly instinctive and informal manner, rather than analyzed and coded in a formal way using computer-aided qualitative data analysis software (i.e. NVivo). Microsoft Excel was the primary software used to assist the analysis for this project. An Excel workbook was created that included a worksheet with each of the questions from the interview guide for each of the interviews assigned in a column, so that there were eighteen worksheets each populated with the same set of questions in the same workbook. Each worksheet interview question was then populated with the responses from the corresponding transcribed interview. In a second column, each of the interview responses was then identified by up to five numbers from 1-5 based on which of this project’s five research questions it related to. For example, interview question 3 could be significant to research question 1, 3, 4, and 5, while interview question 27 could be significant only to research question 4. This numerical reference was created for each response rather than once for the question to ensure the content of each question was considered individually. This excel workbook was used as the main reference document during my analysis and write up.

Based on initial impressions from creating the main reference document, large segments of the research questions were blocked out in rough notes with overall impressions of the responses. The write up of each research question was then built up over multiple iterations going back and forth between the research questions, the master document, and the write up, listening to interviews again and transcribing sections verbatim as needed to the master document to better understand how they fit, and adding accuracy and detail to the analysis. This process helped to ensure the write up accurately reflected the data, rather than being based on ‘cherry-picked’ examples. This analysis method though is still subjective and the write-up therefore may reflect some of my biases although I tried to be very rigid about this. The empirical data collected in the interviews was also explicitly linked with the theoretical
perspectives discussed in the theoretical grounding in order to draw clear conclusions about whether the theoretical explanations matched the empirical observations. The results of this empirical research process are presented in the next section, systematically related to the conceptualization developed in Chapter 3 and presented according to the goal specified.
5 Analysis Discussion

This section presents a discussion of the results from analysis of empirical data collected for this research. The empirical data collected was examined according to the five research questions identified in the introductory chapter, drawing on the conceptual framework described in Chapter 3. The findings from this research are presented along five themes, each one related to a corresponding research question. The first section discusses the role of institutional entrepreneurship in establishing the new market, how institutional entrepreneurs were able to establish new institutions, and what some of those institutions are. Next, through a discussion of their interactions with supply and service firms related to the industry, this chapter describes how firms in the market have organized production. The third major theme examined here is what institutional supports exist for firms in the industry, and how the firms overcome obstacles and solve problems. Fourth, this chapter discusses how firms in the industry market themselves, the interactions firms have with their customers, and the effects these interactions have. Finally, competition in the market - between craft breweries and macrobreweries, and among craft breweries - as well as thoughts on potential future changes to competition in the market, are discussed.

5.1 Industry development and institutional environment

5.1.1 Institutional entrepreneurship

As discussed in Chapter 3, institutions are long-lasting frameworks that serve to guide economic actions and decision making in a well-developed market (Bathelt & Glückler, 2011). Market institutions, which themselves often operate under or overlap with one or more sets of institutions facilitate decision-making for actors in an industry by providing constraints on the expected actions and outcomes in a particular local context (Menard, 1995). Despite institutions’ longevity and stability, entrepreneurs can and often must change or develop new institutions as part of the market-making process (Bathelt & Glückler, 2014). This research shows that
entrepreneurs in the Ontario craft brewing industry\textsuperscript{15} have dislodged the existing practices of the mature brewing market and industry, and created a unique craft beer market with many of its own institutions. Some of the institutions in the craft brewing industry are shared with the traditional macrobrewing industry because of similar practices or because they both operate under similar overarching institutional frameworks. For example, since all beer is a product fermented from grain, the fundamental brewing methods of both industries are very similar, and they therefore share institutions regarding methods and inputs. Likewise, all of the breweries in Ontario are expected to follow a similar set of laws, and so some aspects of the industries’ operations or distribution are directed by the same regulations. However, this research shows that the industry also has and continues to develop its own unique institutions that guide how actors in the industry operate, how they solve problems, and how they interact with one another, their suppliers, and their consumers.

5.1.2 Formal institutions

Historical accounts of the craft brewing industry in North America (c.f. Acitelli, 2011; Calagione, 2011, McLeod & St. John, 2014; Sneath, 2001) suggest that pioneering craft brewers were institutional entrepreneurs. To begin, many early craft brewery founders had to adapt or change existing laws that did not accommodate, or prohibited them from operating breweries. In the late 1970’s, when figureheads of the craft brewing movement like Jack McAuliffe and Charlie Papazian started their operations in California and Colorado, respectively, home brewing was illegal in the US, and there were no legal precedents for craft breweries (Acitelli, 2011). The first brewers had to campaign their local governments to recognize and establish approval processes for their firms. Similarly, in British Columbia it took two years for the founders of Canada’s first microbrewery “to first determine the licensing legislation required to allow them to produce bottled beer [for sale], and then lobby the government to have it passed” in the 1980’s (Sneath, 2001, p. 218). The necessary laws appear to have been in place when Ontario’s first microbrewery was founded; however, Brick Brewing Company was the first brewery in Eastern Canada in 37 years to have been granted a license when it opened, which suggests some

\textsuperscript{15} Unless specifically identified, the phrases ‘the craft brewing industry’, ‘the craft brewing market’, ‘the industry’, ‘the market’, or ‘craft brewer(y/s/ies)’ in this section refer to local instances, not those in the general industry or market.
regulatory hurdles had to be overcome (Sneath, 2001). There is anecdotal evidence that suggests that pioneering craft brewers who (re)established laws and procedures for approval of their firms were institutional entrepreneurs who began to set the formal institutions that facilitated the process for subsequent entrants to the industry.

During interviews for this research, participants from firms across the province described instances that indicate institutional entrepreneurship is also ongoing with respect to establishing institutions for the industry. According to participants, some formal institutions governing craft breweries, specifically related to licensing and zoning, continue to be problematic, and actors within and outside of the firms are actively trying to ameliorate them for the industry. Breweries in rural and many smaller urban areas are often the first in their area, and some continue to find it difficult to navigate the legal and bureaucratic processes required to open their businesses. One such brewery founder from a rural community in Eastern Ontario discussed the problems he faced when opening in 2013. Because of the local government’s unfamiliarity with the industry, officials questioned some legal aspects of his business, and also the cultural and social ramifications of the brewery opening in their community. A combination of dogged determination to get through the legal difficulties, and concerted efforts to “help grow the community and be a positive thing for the local area” by engaging with other local firms and social organizations have overcome the locality’s initial uncertainty about the firm, and they are now enthusiastic supporters of the brewery.

The owner of the firm in the example explained that some of his firm’s efforts to support and be part of the local community include buying local inputs for the brewery and taproom whenever possible, and contributing to local charities and causes, in part using the proceeds collected from donations for their otherwise free beer delivery service. Using delivery-by-donation system, the brewery has helped fund a youth sports camp program, environmental maintenance in the area, and at the time of interview supported one of their employees to attend the Niagara College Brewing program by covering part of his tuition. Although this brewery’s method of collecting funds for local charities was novel among the participants interviewed, two others indicated their firms donate the tips collected in their taprooms (according to the interviewees, their staff are already well-compensated) to charities, and several other participants described various other efforts they have made to be positive influences in their respective communities. Because the industry is quite young, new firms continue to open in areas that have
little or no first-hand experience with craft brewing, and firms sometimes have to establish formal and non-formal institutions to overcome bureaucratic headaches and engender social goodwill for themselves in their localities.

Further, the approval process can be difficult to navigate even in larger urban areas where many craft breweries have already gone through that process. For example, the interviews showed that some firms in Toronto (where there were 27 brick-and-mortar breweries operating at the time of writing), still find the regulatory process confusing and difficult to navigate. The difficulty is compounded for breweries that lean heavily on their taprooms for sales because there are no clear rules that address the amount of floor space and/or sales volume that can be done as a traditional industrial brewery versus the more commercial-retail taproom sales. A brewery’s taproom is an area where customers can drink beer and sometimes eat food. A brewery with a taproom is legally different from a brewpub as they require different licenses; however, there is no formal industry definition of what distinguishes the two, and some taprooms have extensive seating and menu options. There is a relatively new trend in the industry toward increased taproom sales, which may represent a new developing institution that firms are adopting to improve their lot: the breweries are making their on-site taprooms more attractive to customers to expand direct sales in order to overcome what most breweries consider restrictive formal distribution institutions and increase profits. Despite many forerunners, and possibly as a result of changing institutions, breweries in Toronto face a complex bureaucratic process to open and operate.

However, breweries in Toronto have also recently found a political champion in City Councilor Mike Layton who has brought their problems to light at City Hall. Councilor Layton formed ‘Cask Force’ to address the zoning and licensing issues the breweries are facing after having had the problem brought to his attention. Though a formal schedule has not been established, it is planned to convene the committee on a roughly semiannual basis, or as necessary, to confer with breweries in the City to identify and work to solve some of their problems. The example of brewers securing the help of a politician to establish new institutions for local breweries is a good example of the former discussion describing how institutional entrepreneurs sometimes use alternative means to secure sufficient power to change the status quo (Hardy & Maguire, 2008). Craft breweries in Ontario continue to face institutional
obstacles, and are working individually, as a group, and with the help of power-holders outside of the industry to establish more favourable institutional arrangements.

5.1.3 Informal institutions

There is also evidence that informal institutions internal to the industry continue to evolve. In one case, an institution that is as a hallmark of the industry, and considered to be unifying and a source of strength for it, may be eroding. Nearly all participants interviewed indicated that the industry has a unique, cooperative form of competition compared with other industries, and all but a few indicated that they do not attempt to, or avoid outright competition to win customers from other craft brewers. The nature of competition in the industry is discussed in greater detail below. Here, it suffices to say here that craft breweries aim to win customers from the macrobreweries, and wish for other craft brewers to succeed because, as five participants said almost verbatim, “a rising tide floats all boats”. Ontario’s craft breweries have developed an informal institution that directs their competitive choices away from other craft breweries they see as helping build the industry stronger for all, and against macrobreweries, whom they perceive to be a much larger threat.

However, one brewer in the Ottawa region mentioned that the nature of competition among craft breweries (in that area, at least) may be changing because some firms there now compete on a price basis with one another. Although there are laws against it, macrobreweries sometimes ‘buy taps’ from bars by giving the owners cash for exclusive rights at their bar. For example, a brewer whose firm is in a resort town in the province said that several bars in the town were “off limits” to craft breweries because the macros had “bought them out”. Likewise, it is illegal for breweries to give ‘kickbacks’ to licensees, but the macrobreweries have done this for years, usually on a ‘buy X number of kegs get one free’ basis. It is legal, and also common, for all types of breweries to give licensees merchandise, but of course, the breweries must purchase that merchandise themselves, which requires a sufficient marketing budget.

The widespread acceptance in the hospitality industry of such illegal institutional arrangements, and expectation of the legal institution of providing merchandise, is a financial burden with effects that disproportionately affect smaller craft breweries with few resources. According to the brewer who described this institutional change, some craft breweries are
beginning to adopt this competitive tactic: larger craft breweries are using it to expand and insure sales, and smaller ones are using it to get their first licensees. According to another interviewee, his brewery’s earliest sales were the most difficult because his firm did not have a strong reputation, and therefore licensees were hesitant to take the risk on their product. In such situations, providing cash incentives can be a means of overcoming the initial obstacles to trade that new, unproven breweries face. Institutions that have been developed that favour craft breweries by providing them security as a group may be shifting as some breweries adopt traditional competitive strategies to compete in the market.

Other recent and ongoing changes in the province indicate that institutions in the local craft brewing market may undergo change in the future. The recent introduction of a brewer training program in the province, at Niagara College, is likely to have an impact on local institutions as a result of the formal nature of the training compared with the predominantly self-taught or apprenticed background of veterans in the industry. Also, the province’s long-derided distribution system was recently changed - as a result of institutional entrepreneurship efforts that mobilized much of the industry and also swept up significant public support that motivated the government - but was still universally identified as a problem by the participants. Efforts to change the system are ongoing by vocal critics in the industry, and as suggested above with taprooms, alternative means of working around it are also being explored, which may lead to new institutions relating to craft beer distribution in the province.

This research suggests that actors in the Ontario craft brewing industry exhibit characteristics ascribed to institutional entrepreneurs in the academic literature (DiMaggio, 1988; Hardy & Maguire, 2008, Bathelt & Glückler, 2014). The interviews suggested that institutional entrepreneurs in the Ontario craft brewing industry have dislodged many of the traditional brewing industry’s institutions. These entrepreneurs have developed new institutions for the industry, some of which are or may be in flux. In addition, recent changes to the laws governing the industry and its infrastructure may be prompting firms to establish new or change existing institutions.
5.1.4 Institutional entrepreneur motivation and resource mobilization

As discussed in the earlier theoretical discussion, institutional entrepreneurs have an interest in defining new institutional arrangements (Maguire et al., 2004). To achieve their goal of changing the status quo, institutional entrepreneurs must mobilize resources, including: materials, symbols, and people (DiMaggio, 1988; Hardy & Maguire, 2008, Bathelt & Glückler, 2014). This research shows that the means by which actors in the local industry have achieved success in establishing new institutions much reflect institutional entrepreneurs’ activities as described in the literature.

5.1.4.1 Non-financial motivation

A relational perspective understands that actors are motivated by economic factors, but that they are also motivated to some degree by non-economic considerations (Bathelt & Glückler, 2011). My interviews show that craft brewers seem to have a strong personal motivation to enter the industry. Almost all of the participants in this research identified their incentives to enter the industry in some way as being their love of the product or of the craft beer ‘culture’, and several noted they had an interest in working in the industry because of its culture and/or unique collaborative nature. In most cases, respondents said they entered the craft beer industry after having spent a significant time in, and becoming disillusioned by and/or bored with another career. Some typical or telling answers respondents gave about why they chose to leave their previous work include: “an early mid-life crisis (participant laughing)”; “my wife and I were in a rut with our jobs”; and “I was tired of advertising”. Most participants who identified their previous work came from either an engineering, finance, or marketing background. No one I interviewed had entered the craft brewing industry as their initial career, though three participants mentioned having had early jobs in or related to macrobreweries at an earlier point. The tendency to enter craft brewing as a second or third career may diminish as the industry matures and more lower-level personnel are required (as compared to the entrepreneurs who establish the firms), and as young graduates from Niagara College enter the workforce looking for jobs (rather than found new breweries themselves right away). Nonetheless, the commonality among interviewees – that they chose to leave safe(r), gainful employment – may indicate shared character traits or expectations that influenced the early or current institutions of the industry and made it collaborative and collegial.
5.1.4.2 Resources mobilized

As mentioned, institutional entrepreneurs mobilize materials, symbols, and people to change the status quo (DiMaggio, 1988). Additionally, I argue that institutional entrepreneurs act in similar fashion as social movement activists to frame the issues such that they are distilled and linked to cultural symbols around which people can rally to gather momentum for their effort (Goffman, 1986; Tarrow, 1994; Benford & Snow, 2000). There is evidence that actors in the craft brewing industry have and are using these means to develop a strong institutional landscape for the industry.

5.1.4.2.1 Material

Institutional entrepreneurs that are opening new markets often have fewer material resources at their disposal compared to established dominant actors with vested interests in maintaining the status quo (Hardy & Maguire, 2008). This was the case for craft brewers at the outset of the industry. The literature is replete with stories of outsiders scraping together scant finances and cobbling together equipment in ramshackle industrial spaces to brew their first beers (c.f. Acitelli, 2011; Calagione, 2011, McLeod & St. John, 2014; Sneath, 2001). However, the industry actors I interviewed described less romantic first steps. Although one participant scoffed at the idea that the bank would have lent his venture money, his is one of the oldest breweries (it opened over 20 years ago) in the province, and the market and its infrastructure appear to have changed significantly since then.

For the most part, the brewery founders I interviewed relied on similar sources of funding to start their firms as small business owners in other industries do, including personal savings, friends and family members’ investments, bank credit, and government loans. Two breweries (one in Northern Ontario that is several years old and another that opened over a decade ago) spoke of substantial government grants and/or incentives that helped them purchase equipment when establishing their firms. Another brewer, who founded his firm in a small cottage-country town shortly before the boom in brewery openings in the province after 2012, said his impression was that it was harder to get money for a brewery at that time and that "now the money seems more readily available”, though he could not be sure. Nonetheless, craft breweries are capital intensive, and there is no doubt that they are in competition with some of the largest corporations
in the world, who historically have spent millions of dollars annually on marketing, and sometimes billions on acquisitions to remain dominant in the industry. Craft breweries have access to greater material resources now than they did in the very early days of the industry, but they remain in a very subordinate position financially compared with macrobreweries, as institutional entrepreneurs often are compared to their competitors (Hardy & Maguire, 2008).

5.1.4.2.2 Symbols & People: Framing

5.1.4.2.2.1 Local = Craft; Craft = Higher quality

Craft breweries and their supporters often make the claim that craft beer is of ‘higher quality’ than the beer macrobreweries make. For example, the Ontario Craft Brewers claims on its site that “the reason we got together is to promote our fresh, natural, quality [emphasis added] beer and agree on a commitment to excellence that everyone has to live up to” (OCB, n.d.). It is unclear exactly which ‘quality’ is being measured when the claims are made; however, it is not true for at least some intrinsic qualities of local craft beer. According to candid responses supplied by three brewers, macrobeer is bland, yes, but exceptionally high quality in terms of consistency and impurities or unwanted bacteria. As one of the participants (from one of the larger craft breweries in the province) said: "as far as quality goes in beer, and consistency, you want to be a Molson, because they've got it down... they can pump out large volumes, but it's consistently the exact same every single time... that can be an issue for craft brewers". According to another interviewee:

“some number, of the [craft] beers made in Ontario are actually infected, they’ve got some bacteria in them, it changes the taste, they’re just not well made… Every time [the owner of one of the largest craft breweries in the province] hears about that, he calls that brewer and says ‘Fix your sh*t because you’re f***ing up the whole industry for me [emphasis in interview]’, and that’s another one of the challenges that we’ve got to work on as an industry.”

To be clear, these infections are not a threat to consumers’ health, “they just leave off flavours” or the beer “might be cloudy”, but they are unintentional and symptomatic of what most brewers would identify as an undesirable or inferior quality in a beer. Regardless, craft beer is framed as high quality to attract consumers and supporters, and given the industry’s increasing sales and
public support, the message appears to have found widespread acceptance in the market. Craft beer is framed as being high quality compared to macrobeer, but according to at least some intrinsic qualities, it is not.

5.1.4.2.2 Craft Beer = Local Jobs, Investment, and Vitality

One of the ways the craft brewing industry has been framed to garner public support is as a driver of local employment foremost, but also for other investment, and community renewal. For example, breweries and the OCB framed the industry this way in their efforts to effect the changes to the legislation regarding beer distribution in the province. The legislative changes were made by the government after years of pressure from actors in, and supporters of the craft brewing industry – though, there is also a long history of dissatisfaction and efforts to change the beer distribution system in Ontario from citizens that have nothing to do with craft beer whatsoever. The OCB has framed the industry as a driver of local employment since at least 2006, when the first example of the opinion was found in a press release, in which they state:

“The 30 Ontario Craft Brewers currently employ more than 450 people, up 17 per cent from May 2005. With five per cent share of the Ontario beer market, craft brewers account for 20 per cent of all direct brewery employment in the province. The Ontario Craft Brewers' goal is to create 1,000 new jobs by 2014” (OCB, 2006, May 15).

In another release specific to their efforts to change the legislation that details their position on retail access, from February 12, 2015, the OCB writes that growth in craft beer retail channels “would double or triple the 1,000 plus full time direct brewery jobs that craft brewers currently provide throughout large and small communities in Ontario” - an imprecise but confident and reassuring claim. And in another just days later, on February 20, in a release titled Ontario Craft Brewers Create Jobs, Stimulate Renewal in Ontario Communities (which itself frames the industry) the OCB claims:

“There are currently over 100 craft breweries in Ontario employing over 1,000 people in direct brewery jobs across the province. This represents over 30 per cent of the direct brewery jobs in Ontario…. When a craft brewery opens in a community, particularly outside of a major urban area, it becomes an anchor business for that community and a catalyst for growth...Breweries attract new development in associated sectors such as
agriculture, tourism and culinary arts. We are stimulating fun, creativity and growth in Ontario towns and cities...Craft breweries are bringing new life and energy to Ontario towns and cities. They move into the community and build leading edge new facilities or renovate and refurbish historic, old buildings. They have become an important employer in the community, hiring local talent and contracting local suppliers...This helps stimulate the economy as these professionals, in turn, spend money and pay income taxes in their own communities...Craft brewers also use local ingredients such as barley, hops, spices and fruit whenever possible. They support local culinary talent... They are excellent tourism generators... They host festivals that draw visitors to a region... Not only are Ontario Craft Breweries making great beer, we're making Ontario great [emphasis added].".

The press release quoted above makes claims about craft breweries improving the communities they are in socially, culturally, and economically, among others, and the breweries are presented as a panacea for the troubles that are faced by many shrinking communities in Ontario (see Bourne & Simmons (2003) for examples of these troubles). Regardless of whether the OCB's claims are valid, and certainly at least some are, germane to this discussion is the fact that they are clearly framing the industry as having positive local impacts in an effort to build public support for their efforts.

My interviews indicated that craft breweries do often take part in local community events, as suggested by the OCB above. Moreover, in some cases the firms’ foremost motivation is to help improve those communities. For example, when asked about why his firm takes part in community events, the owner of a small brewery in the Ottawa region said “we do it because we started this business to help grow the community and be a good positive thing in the local area, so when there's others that need help... we obviously want to do our part". In response to the same question, the owner of another brewery, in Toronto, said: “I think it's important to be a part of your community in the ways that you can, and all of a sudden I have a commodity that people want and that they can profit from, so I'm happy to participate”. Finally, a third brewery owner was clear that his firm’s efforts to help in the Toronto neighbourhood in which it is located were in fact socially motivated, though he did recognize the marketing benefits:
(P)articipant: “That’s something we strongly believe in. You know, we want to support our local community, we want to use local ingredients where we can.”

(I)ntrerviewer: “And why is that?”

P: “Just, uhmm, we like where we live, we’re already connected in the community, we all coach hockey or soccer, you know, whatever. We do charity events in the neighbourhood.”

I: “So it’s not necessarily a marketing gimmick?”

P: “This is kind of what we’ve been doing for the last twenty years.”

I: “So how do you promote that?”

P: “I mean we try and promote local events, so the tasting I mentioned, we’ll do local tastings, we’ve been involved in the [local] market is another thing. So we try to get involved in all the local events. And we do donate to a number of charities and things, we donate beer and our time.”

I: “Do you find that this has helped you develop a stronger customer base?”

P: “Uhhmm. Uhhh, I mean, perhaps, but it’s kind of hard to tell because it’s kind of what we do anyways, so I wouldn’t perceive it any differently.”

These conscious efforts to have a positive social impact indicate that at least some craft breweries draw from ideals associated with ‘local’ movements, as discussed earlier. As such, the framing of these firms and the industry as ‘local’ and beneficial to their communities is accurate in some cases, and in any case, the firms’ community-oriented efforts make it easier to establish that frame.

The examples of framing provided above show that actors with vested interests in the industry are presenting it in such a way that it is perceived (accurately in some cases) positively by two groups: 1.) consumers, and 2.) the general public. With respect to the first group, existing and potential craft beer consumers are being presented the product, ‘craft beer’, and told that it is of high quality, with the inference that it is comparable but superior to its competition, macro
beer, and with the intent of persuading them to purchase it. As for the second group, the industry as a whole is presented in a positive light and the product appears to be secondary: the OCB infers the industry is better for the province because at 5 per cent of sales they account for 20 percent of jobs, and because the firms stimulate other industry, renovate dilapidated buildings, and generally make things ‘great’, which is supported in some ways by several firms’ community-oriented actions.

Regardless of whether the characteristics attributed to craft beer and the industry are factual, stakeholders in the industry such as the OCB, present them in such a way as to promote the industry to consumers and the general public. They have communicated why the new industry and its institutions (without using the term) are beneficial and important to individuals and communities the province in an effort generate the support they need to overcome the institutions that were already established. These framing and positioning efforts are reminiscent of the efforts ascribed in the literature to institutional entrepreneurs and social movement actors who construct meaning to mobilize people behind their efforts (Goffman, 1986; DiMaggio, 1988; Benford & Snow, 2000; Hardy & Maguire, 2008). Judging from the growth in the number of craft breweries, the industry’s increased sales, and the success in changing legislation, the institutional entrepreneurs’ efforts to frame the industry seem to have been successful.

5.1.5 Institutional opportunities and challenges

5.1.5.1 Collaborative and cooperative nature of industry

Drawing on the information provided during interviews for this research, the major institutional strengths of the local craft brewing industry seems to be the open communication and collaborative nature of firms in it. Every participant at least once during the interviews, and in most cases more often, directly mentioned or told a story exemplifying these institutional characteristics. Every participant described how collaborative the industry is (5 participants used the word ‘collegial’ to describe it) in terms of sharing information and resources. Inter-firm communication, collaboration, and sharing occurs in the industry through formal and informal channels. The OCB is an example of a formal channel for collaboration in the industry. The OCB is the major craft brewing industry association in Ontario, and members are provided access to information and events to help grow their firms and the industry. The OCB also
presents a unified voice for its members, and acts on their behalf when dealing with government or other major actors. All of the participants who are members of the OCB described it as an important source and conduit of information that gets disseminated through the industry, variously as a result of weekly conference calls held among members, new releases it disseminates, and the conferences and workshops it organizes.

Less formally, firms also regularly work together to brew collaboration beers, or ‘collabs’ to use the popular industry term. It may be a sign of just how collaborative the industry is that there is a colloquialism to describe the products it realizes as result of collaboration. All but one participant interviewed said that they had, were, or intended to collaborate with other breweries to make beer. The participant whose brewery did not collaborate with others indicated that while the owners were interested in and had suggested doing so, the brew master, who has significant experience and is well respected in the industry, prefers to work alone and did not intend to do otherwise. In other cases, firms collaborate in brewing beer in two ways. First, as four participants indicated, they consider it a collaboration when they brew beer at another brewery but under their own label. This could also technically be considered contract brewing, but the participants did not identify it as such. For one of the four respondents just mentioned, there was no contract. In that case the firm had its own equipment and brewery in place, but was brewing at another brewery while waiting for its licensing to be approved.

Second, breweries collaborate in the more conventional sense of the word by working together to brew beer that is sold as a jointly-produced product. Ten participants indicated that they had done this type of collaboration, but again, all but one indicated that they were interested in doing so. Firms that collaborate in this way tend to do so on an irregular basis, as opportunities and/or interest to do so arise. For example one brewer explained that festivals and conferences were sites that lead “to things like collaborations…. because you meet somebody and you’re like ‘hey, are you free in a few weeks so we can do this thing?’”. Collaborations are also a means by which the local industry strengthens links with breweries from other jurisdictions, and may introduces new information to the local industry as a result. As discussed earlier, links to external actors and information can have a positive effect on a local industry as they can mitigate institutional hysteresis (Bathelt & Glückler, 2014). Three participants described such long-distance collaborations: one had collaborated with a brewery from a neighbouring U.S. state; a second with a brewery in Quebec; and a third was collaborating with a
brewery in Italy (whom they had met while at a beer festival in Spain). The knowledge shared, and the relationships that develop among breweries that collaborate to brew a beer are likely closer and stronger than the average interfirm exchange, and may be a source of additional strength for the industry.

Another informal way how firms in the industry interact, which demonstrates how communication is an institutional strength of the industry, is that firms regularly consult others to solve day-to-day problems. Every participant mentioned at some point in their interview that it was not uncommon for them and/or in the industry in general to get advice and/or help from other firms. For example, the owner of a brewpub in Toronto said:

“I’ve communicated with [the owner] a lot at [another brewpub in Toronto], just in: ‘what do you think about this? I have this paperwork I've never filled in before, can you help me? [He] has been in this racket long enough that he's got some really good insight, and he's pushed a lot of the system requirements and tried to see what means what, so he's been a really great help for me trying to figure things out.’”

Another participant, who owns a brewery in a more remote part of the province said:

“we do a lot of thought sharing and information sharing in terms of processes or people. Every week there’s a call that goes out or a call that comes in from another brewery asking a question. We're either asking or someone's calling us and asking, and it's not the same brewery. It could be someone out of the blue, it could be someone we know. It's a very open industry at this point.”

Other similar examples of relatively free information sharing and communication were given by participants at each type of brewery across the province.

Information and resource sharing, however, goes even further in the industry. One participant described how prior to opening he toured two breweries located within half an hour’s drive of where he intended to open his brewery, which his hosts knew, and they gave him tours of their operations. The firms even suggested custom changes he should consider for his
brewhouse\textsuperscript{16} based on their experience and problems they had encountered over the years if he were to order the same one. Another participant who was the first to open a brewery in the area, in which he lives, explained that during the planning phase of his brewery other breweries in the area but also in the U.S. and Quebec were extremely helpful, “especially when it came to choosing an equipment supplier, and also with respect to pitfalls of the setup and layout”. Likewise, a participant, who toured 27 breweries across Canada and the U.S. with his partners before opening their brewery in Toronto said that firms everywhere they went welcomed them with open doors, allowed them to take notes, and answered questions they had about how best to go about starting their brewery. One very well respected brewer described his standing in the industry as being dependent on the help provided by several other actors in the industry, which he tries to reciprocate:

“...You say that we're helping people, but we needed just as much help when we started. Look at [a brewery], what they did for us...they allowed us to brew at their ‘house’ for two years. [Another brewery] allowed us to start doing our beers there and gave me a job while [his own brewery] was developing. And [a third brewery] for helping us out when we were starting, and [a fourth brewery] every time we need something their willing to give a hand. All these guys have helped us and we want to pay it forward as much as possible... I don't look at them as competitors, they're compatriots. We're all in this together.”

Interestingly, though, one participant who has had experience dealing with breweries in Manitoba noted that breweries there were much different and did not offer the same type of help as do firms in Ontario.

Interviews for this research have shown that open communication and collaboration are an aspect of the industry’s institutional framework. These qualities lend strength to individual firms and the larger industry, and are likely part of how firms have been able to make their market in competition with the established macrobreweries who have access to significantly

\textsuperscript{16} A brewhouse consists of all of the components, or vessels, necessary for the brewing process (e.g. tanks, silos, and kettles are some components of a brewhouse); it is equipment that would be found in a brewery, but should not be confused with the brewery as a whole.
greater traditional resources. Moreover, the help that breweries provide to potential newcomers to the industry may represent an example how pioneering firms in new markets facilitate new entrants to better overcome the obstacles to trade, as discussed earlier (Casson, 1982; Loasby, 2000; Bathelt & Glückler, 2014). Because firms in new markets may benefit from market expansion or increased recognition and credibility when another firm enters that market, they may be willing to share the information they have developed over time and through trial and error for the greater good of everyone involved – it may not just be altruistic of them.

5.1.5.2 Distribution

According to participants’ responses, distribution is a major institutional shortcoming in the industry. Nearly every respondent identified the distribution system and/or regulations for craft beer in Ontario as problematic at some point during my interview with them. The vast majority of respondents cited distribution as some combination of: 1.) one of or the single most important factor in the province affecting the growth of their firm; 2.) a key challenge that will likely affect the success of their firm in the next five years; or 3.) something government can do to better support the industry. Ontario’s liquor distribution system is unique in Canada, and more restrictive than almost anywhere else in rest of North America. As mentioned, craft breweries in Ontario can only sell their products at their own breweries, through LCBO or TBS retail outlets, and select grocery stores\(^\text{17}\). The limited shelf space dedicated to craft beer in these outlets, the dominant position of macrobreweries at the LCBO and their ownership majority in TBS, and the macrobreweries much larger marketing budgets were the most common distribution concerns that interview participants identified.

5.1.5.2.1 The Beer Store

Participants generally disliked TBS as a distribution option for three main reasons. First, brewers identified the antiquated system of most of the retail outlets, where patrons have to choose beer by peering at small, distant placards (and sometimes not even this) as problematic.

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\(^{17}\) Because the introduction of grocery stores as a retail outlet for brewers was quite recent at the time of writing, and most of the brewers interviewed did not have any products for sale at them, and no sales figures were available for them from the retailer’s side, grocery stores are not discussed further in this thesis.
Given the limited budget most craft breweries have for advertising, and the effort they put into making their beers unique, often by identifying the particularities of their beer on the labels, as opposed to macrobreweries with brands that are highly recognizable because of mass-marketing and little difference in flavour, it is important that customers are able to handle their products, or at least view the labels up close. Second, many craft brewers do not produce enough beer to meet the minimum demands of the beer store, and are thus not eligible for sales through that venue. Third, those that can meet the volume demand are often discouraged because of the high cost of listing their products with TBS, which many identified as equivalent to paying their competition to sell their product.

5.1.5.2.2 LCBO

Although the LCBO carries and promotes craft beer, and several participants applauded the efforts of the LCBO and their salespeople for promoting the province’s craft breweries’ products, participants also identified some problems: 1.) not opening enough shelf space for craft brewers; 2.) being too difficult to get into; and/or 3.) favouring macrobrewery products. Three respondents were specifically concerned that given the increasing popularity of craft beer in the province, the LCBO is not increasing shelf space at a fast enough pace. They noted that given the rate at which breweries are opening, the number of breweries vying for the limited shelf space is increasing, and as a result of increased competition, it is becoming more difficult for a brewer to get their product listed. The head brewer at one of the older craft breweries in the province described this situation as follows:

“It used to, not too long ago.... that you made your pitch to the LCBO... and most of the time they would work with us, they were pretty open to kind of anything we wanted. Now, the landscape has changed a lot in the last couple of years, there's so many more breweries trying to get into the LCBO.”

Participants were also frustrated by the LCBO’s demands regarding packaging, and the amount of red tape and time required to list a beer with them, which made it yet further difficult to sell beer through. Finally, brewers voiced their concerns about the relative amount of shelf space the LCBO dedicates to macrobreweries' products compared to craft beer, especially given that TBS sells macrobeer, and the LCBO is the main retail outlet for craft brewers.
5.1.5.2.3 Potential Benefits of Current System

While brewers are not happy with the current system, there is some potential for it to work in their favour. First, as noted, some brewers commended the LCBO for pushing and marketing craft beer, and identified it as a good source of consumer education and awareness of their products. Moreover, because the LCBO is able to select the products it promotes and sells it could be used as a driver for the industry. The LCBO was an important driver of the then-nascent provincial wine industry during the 1990’s because it highlighted the efforts of local producers compared with foreign wines, and critically, it protected local wines by pricing them favourably and pushing their sales compared with many foreign brands (Mytelka & Goertzen, 2004). The LCBO was subsequently sued over their preferential practices and forced to stop them, but some level of product selection is allowed and could help the industry. Because the LCBO is one of the few options consumers have in the province for purchasing alcoholic beverages for consumption at home, the choices it makes as to what it stocks can make a major difference in what the public purchases. The LCBO could strengthen the local craft brewing industry by devoting more shelf space for craft beers.

5.1.5.2.4 Self-owned Distribution

However, ten of the participants (over half of the survey population) mentioned that they are interested in greater freedom to sell their own and other craft brewers’ products independently from the LCBO and TBS. By far the most popular options among the craft breweries interviewed is to be able to: 1.) open standalone craft beer-dedicated retail shops; and 2.) sell other breweries’ products at on-site brewery retail shops. Respondents suggested that standalone shops could be owned as a consortium by the brewers, and possibly in part by the Province, and the logistics of distribution could be centralized for greater efficiency.

The suggestion by craft brewers that they should be allowed to sell competitors’ products through their breweries, and that they would like to do so, speaks to the co-operative nature of the competition that exists among brewers in the province. In either case, the goal would be for craft brewers to sell their own and their peers’ products through a retail outlet whereat the beers would be maintained such that they are kept fresh, and sold by knowledgeable staff who were able to educate consumers about the beers and answer questions if required. Moreover,
according to the participants that mentioned them, either type of outlet would be preferable to the current distribution system because craft breweries would not be restricted by the regulatory framework that exists and which stifles or limits their more creative, unique products from being released at a larger geographic and/or volumetric scale.

Although distribution is considered a major institutional shortcoming among craft brewers in the province, as mentioned earlier, critics continue to try to change the regulations regarding it, and some craft breweries are shifting how they operate to overcome the shortcomings (with more elaborate taprooms, for example). In addition, there are some aspects of the distribution system that are working in their favour, and it could be made to do so even more. Finally, several craft brewery owners described what they consider an ideal situation wherein they would be able to take advantage of the collaborative nature of the industry to create more advantageous retail options for themselves and their customers.

5.2 Production-side organization and interactions

An important aspect of knowledge creation are the interconnections among firms, and the access that firms have to trusted information from within a group of cognitively and spatially proximate actors (Granovetter, 1985; Nonaka et al., 2000; Torre & Rallet, 2005). Some access to more distant actors is also recommended as a means of introducing new ideas to prevent institutional hysteresis, or lock-in (Bathelt & Glückler, 2014). As described above, based on interview responses, it appears that the breweries operating in the industry have developed a thick network among one another. However, industry networks are further strengthened when firms develop ties to related firms and organizations that operate in other supporting industries and/or jurisdictions. As also mentioned above, some firms have made connections to other breweries outside Ontario, as far away as Italy. My interviews show also that craft breweries are interacting with supply and service providers of the industry in various ways, sometimes including advanced close interaction, and that there is enough momentum in the industry to attract and generate new supporting firms that serve their needs.
5.2.1 Suppliers

The province is not home to a large number of suppliers for the main raw inputs or equipment craft breweries use. As one brewer described, this situation means that brewers are somewhat limited in their options if they would prefer not to deal with suppliers that are further away, and so in most cases relationships are by necessity ongoing – whether they want or not. However, some participants mentioned having relationships with suppliers that go beyond basic exchanges. For the most part, firms in the industry purchase inputs imported from outside the province from suppliers located in the province. Three participants mentioned having ongoing relationships with suppliers of non-traditional ingredients – for example local coffee roasters and fruit farms for adding flavour to their beers, but these were isolated instances and did not impact or represent the industry in general. While almost every participant expressed interest in using local products when asked, for various reasons they were not widely used by the participants of this research. The major raw inputs used in the production of beer, malt and hops, are not grown in the province in sufficient quantities to sustain the entire industry, or even to produce a single consistent high-volume beer, but the local hops industry is growing in size and importance.

There is a nascent hops growing industry in the province that all of the participants identified as something they knew about when asked about their use of local inputs, and most said that it might be a potential future source of hops for their firm. However, only four participants said they had used local hops in the past to brew beer for sale. Three of the brewers interviewed are using local hops regularly and are actively engaging with the growers to their mutual benefit. These brewers are making smaller batches of beer from local hops growers’ products either as one-off brews or more regular brews in small batches.

According to my interviews, the most common problems keeping breweries from regularly using local hops are: 1.) too little supply; 2.) inappropriate flavour profile; and 3.) relatively high cost. Supply and cost are both likely related to the young age and small size of the industry, and may improve in the brewer’s favour over time. However, hops grown in different areas have different flavour profiles, and brewers are not able to use them in their current recipes without changing the resulting beer’s flavour. One participant indicated that he uses a nearby farm’s hops on a regular basis, and that he and the farmer work closely to try to improve the hops. Further, he said that the two operations have grown in tandem, with the
farmer expanding his hops production every year since the brewery was founded, and the brewery purchases almost all of its production. Efforts like this may improve the quality and quantity of hops grown in the province, and may prompt other breweries to explore the new products too. Otherwise, interaction between the breweries and hops growers appears to mainly happen irregularly, or through their respective industry organizations, the Ontario Hops Growers and the OCB.

Although the basic equipment required for a brewery (e.g. brewhouse, and bright tanks) can be made in the province, only three participants in this study said that they had purchased theirs from local manufacturers, and one more is in the process of designing and having his brewhouse fabricated by a local firm. Four brewers indicated that they had bought their equipment from manufacturers elsewhere in Canada, and three ordered theirs from China, either directly or through an agent. While most contract brewers do not have or need their own brewing equipment, one participant who was also a contract brewer did, and is included in the above counts. Participants who ordered their equipment from China said it was cheaper than Canadian products, and basic modifications and customization is easy to arrange. One participant who installed equipment from a manufacturer in Prince Edward Island based his decision on the experience of older breweries who gave him advice on the specifics of their equipment made from the same manufacturer (mentioned above), and added that because all three breweries are close by one another, they receive better service for the equipment.

This research identified little evidence of significant interaction between breweries and their suppliers, though there is movement toward more advanced interaction with hops growers in the province. It does not appear that industry suppliers played a significant role (beyond their eponymous one) in the development of the market, and they do not seem to provide significant institutional support or advantage to the industry beyond what would be expected. However, deepening interaction with hops growers may provide that industry with support, and it is unclear what effect if any it will have on local craft breweries. Also, there may be value in further exploring the relations craft breweries have with graphic designers, and marketing or advertising agencies, especially as the industry matures and grows more competitive.
5.2.2 Services

The services that participants most often identified as important to their firms were: 1.) distribution; 2.) canning; and 3.) line cleaning. Some of these aspects have already been mentioned or will be discussed in greater detail in the next section. Line cleaning appears to be a comparatively standardized service and is not discussed further in this thesis. Participants only mentioned professional services, such as accounting or legal services, when prompted, and said the services were general providers, not specialists for the industry. These types of professional services are also not discussed further in this thesis.

Four participants mentioned using graphic artists to help design logos or brands, either once or on an ongoing basis, but none mentioned working with advertising or marketing agencies. Anecdotal evidence based on industry observation over several years indicates that there is a general trend toward more graphics-based labelling among Ontario craft breweries – as opposed to labels with more dominant text in the past. Labelling is an important means for a firm to stand out in a crowded market, and this may increasingly be the case in Ontario as more breweries come online. For example, as described in a trade magazine, Lake of Bays, one of the larger craft breweries in the province, employed an advertising agency’s help to rebrand their entire line of beers starting in July 2012, which was credited with resulting in a significant increase in sales after the first year (72 per cent, though the beer was available in twice as many locations) (Powell, 2013; Strategy, 2014, Feb. 19). However, participants in this research did not talk a great deal about the design aspects of their marketing. This may mean it is of low importance to them, but it is more likely a result of the interview questions, which did not have a specific design focus. Given that four participants mentioned design, and two others seemed quite keen to explain their image, future research might find it fruitful to explore this avenue further.

5.2.2.1 Distribution

Based on participants’ interview responses, it appears that most firms distribute their products themselves to some degree: most participants indicated that they used their personal vehicles to distribute beer from the very beginning, and often they purchased one or more cargo vans as their firms’ sales increased. Participants also indicated that they use third party
distributors to varying degrees. Those using third parties tend to use them to make deliveries beyond a few hours from the brewery. As one participant explained, regulations in the province that limit the time a driver can drive in a day make it too expensive: breweries would have to send drivers overnight, and pay for accommodations. Additionally, sending their own drivers would mean only shipping one-way, which would further increase the costs. Six participants said they rely on one local provider, Coldhaus, for their longer-distance shipping. As a result of recent legislation changes, breweries are now legally able to ship other breweries’ beer also, which may make longer distance trips more feasible to breweries who could carry beer back and forth if they organized the logistics jointly. One participant whose brewery is located quite distant from any major urban center said that he thought craft beer shipping was a very important but also an underserviced part of the industry. He suggested that it would be ideal for an entrepreneur who wanted to organize the logistics of shipping for craft breweries because without one it is “a big waste of energy and not very efficient. Every time you go to the LCBO store there’s five other little breweries there with half-empty trucks”. Distribution is an aspect of the industry in which significant improvements could be made to increase efficiency.

5.2.2.2 Canning

A mobile canning service provider based in Denver opened a branch in Ontario in 2014 to serve the growing craft brewing industry. This firm offers breweries that do not have their own canning line the ability to can beer, which can provide them with a significant advantage and savings of cost and space required to purchase and install a canning line. According to one participant whose brewery is one of the oldest in the province, the mobile canning service “has opened a huge market for [his firm] because the can market is very, very popular. It seems to be a growing trend, and people seem to just really enjoy the can”. His firm has an in-house bottling line, but no means to can product otherwise. Some brewers can their beer because it is considered a technically superior form of container due to mobility, superior UV light protection, and better seals. One participant noted that he prefers the space a can provides for the design of his labels, though, four participants said they prefer bottles because they associate that type of container with a higher quality product, and in fact several participants noted they use bottles to package their ‘premium’ or seasonal offerings – to distinguish them as unique.
Regardless of personal preference, all of the non-brewpub participants interviewed sell at least one beer in 473 ml ‘tall-boy’ cans. The widespread use of a less-preferred package in the industry appears to have been prompted by the LCBO. Twelve participants said that the main reasons they use cans is because the LCBO puts pressure on them to do so. The retailers’ preference is likely because the format is easier to ship and store. In any case, based on interview responses, there does not seem to be significant resentment or push against the LCBO’s demand for cans. Participants did not mention that they have any special relationship with the mobile canning provider, but it provides them with the option to can beer that otherwise they would not be able to, because of either financial or space limits, and this allows the breweries more distribution options in the province. The mobile canning service is also notable as a sign of the industry’s growth, and that it has been recognized by firms based in other more mature markets.

There is also some more advanced interaction with one of the supporting firms in the industry. Many brewers made mention of Escarpment Yeasts when discussing local products and services. Though not all brewers are using their products, this local firm was opened by two students from the University of Guelph and provides traditional and new strains of yeast that are either collected wild or developed in-house for brewers to work with. Yeast is one of the four primary ingredients in beer, and has a significant impact on a beer’s flavour. Having access to a laboratory that can provide unique, fresh local yeast off the shelf sets the local industry with an advantage that few others have. Moreover, firms can work with the lab to develop custom yeast for use in their beers, which provides local firms with further potential advantage. In addition to the yeast itself, Escarpment Labs provides brewers with other services, including: quality control testing, and banking and isolation of yeast strains. One participant explained that they have a very close and ongoing working relationship with Escarpment Labs. The brewery’s small brew system is an ideal test size for the lab, and they periodically use it to get real-world brew testing results of their yeast strains, which in turn introduces the brewery to new strains the lab is developing. Escarpment Labs is quite a young company, and few participants I interviewed had actually used their products yet, but many seemed interested to, which could lead to promising ongoing relationships with positive impacts for the industry.

The presence of Escarpment labs indicates that the industry is strong enough that entrepreneurs in related industries are interested and willing to take risks to open firms that
would (presumably) rely mainly on it. As this firm and others develop, more interaction may result between craft breweries and firms in other industries. As of yet, there is little to explore on this topic, but future research may find it valuable to revisit the relationships craft breweries have with service providers.

5.3 Institutional support, and problem solving

A relational perspective recognizes that the factors that support an industry, or the means by which firms in an industry overcome obstacles, are context specific (Bathelt & Glückler, 2011). Depending on the institutional framework present, some industries and markets may present more or less support for the firms operating in them. Likewise, firms operating in one jurisdiction may solve problems in different ways than their counterparts in another. Participants in the interviews for this research mentioned several times two organizations that provide significant support for the industry. The first one, the OCB, was identified as important to the industry by most participants, regardless of whether they said that they specifically relied on it. The second, Niagara College, was mentioned by fewer participants, but undoubtedly has and will have an effect on the local industry. These interviews also indicated that the most common means by which breweries solve problems is on their own using information and resources internal to the firm.

5.3.1 The Ontario Craft Brewers

The OCB is the major trade association representing brewers in Ontario. The Ontario Craft Brewers was officially founded in 2005 by 25 Ontario breweries as a cooperative marketing association (Marketwired, 2005). At the time of writing, of the 237 craft breweries operating in Ontario, 68 were members of the OCB (MnH, n.d.; OCB, n.d.). A small number of the breweries in the province that are not members of the OCB may be excluded from membership by the regulations prescribed by the organization for brewing practices that members must follow, and which were identified in the introduction to this thesis. However, there are also a substantial number of breweries that have opted not to join the OCB for their own reasons, which according to interviews include: 1.) cost; 2.) incongruent priorities; 3.) and mixed opinions on the OCB’s effectiveness.
5.3.1.1 Cost

Several breweries indicated that the membership costs for the OCB were prohibitive, which kept them from joining. In any case, newer breweries who do not have sufficient resources to spend on membership, or those that simply do not wish to pay, reap many of the benefits that the OCB provides its members, regardless, since many of the organization’s efforts help the industry overall. For example, the OCB’s lobbying of the government for expanded distribution regulations was a boon to all craft breweries, not just OCB members. Likewise, access to the annual OCB conference and many of the workshops it organizes are also available to non-members for a fee. Finally, because the industry is so collegial, it is likely that information the OCB provides to members is transferred to non-members quite quickly. Although some breweries prefer not to pay the membership costs to join the OCB, they are nonetheless able to enjoy many of the benefits of full members.

5.3.1.2 Incongruent Priorities

Four of the smallest breweries interviewed indicated that the OCB’s main priorities do not apply to them, and/or that it is not looking into issues that do affect them. These participants identified two main differences: 1.) distribution; and 2.) municipal zoning issues and bureaucracy. Although municipal zoning issues and bureaucracy affect brewers all across the province, as mentioned earlier in this section, the issues vary by location. An overarching industry organization like the OCB is not ideally suited to tackling individual problems of this sort. However, distribution is uniform across the province, and its regulation is largely governed by the provincial government, which the OCB is better suited to deal with than are individual breweries. The incongruent priorities that breweries identified having with the OCB may be related to the scale the problems affect and at which they are dealt with.

As described earlier, there is a long history of organized duopoly in the province when it comes to distribution. Recent changes to the distribution laws lessened this situation; however, distribution is still largely controlled by the LCBO and TBS. Because of the large volumes required to sell through these venues, smaller breweries often cannot list products in them, or at least not economically. According to three participants, who operate quite small breweries, the OCB has been much more focused on the distribution factors that are of concern to larger
breweries. One brewer suggested that the efforts realized by the OCB with respect to the new
distribution legislation might have gone differently if it had not been for the strong effort of Mill
St. Brewery. Mill St. was formerly one of the largest craft breweries in the province, and at the
time of the negotiations was a key member of the OCB. Within weeks of the legislative changes
being announced, Mill St. announced that it had been bought by Molson, one of the major
owners of TBS operations. The brewers who identified distribution as a problem are particularly
interested in instituting legislation that would allow breweries to sell competitors’ products as
they said this would allow them to ship much smaller quantities to a more flexible set of retailers.
The OCB has made little progress toward that distribution model, and their efforts are unclear,
despite the potential significance of such a change to these smaller breweries.

5.3.1.3 Effectiveness

Participants revealed mixed opinions in the interviews regarding the effectiveness of the
OCB. A minority of breweries interviewed said that they were not part of the OCB because the
organization either in the past or currently did not operate well. One brewer mentioned that the
OCB’s usefulness was limited in the past, but that in recent years, it had stepped up to become ‘a
voice’ for the industry. Given the initial role of the OCB as a marketing cooperative compared
with its current undertakings, it is not surprising that its priorities have changed, as this is clearly
no longer their main role (Marketwire, 2005). Other breweries, however, were more negative
about the OCB: one said that “they can’t run a meeting to save their life”, and another was a
“conscientious objector” to the OCB in part because “consensus building is not one of their
strengths”.

However, a majority of participants, both from member breweries and otherwise, praised
the OCB for being an important and beneficial participant in the industry. As the owner of a
contract brewery in Toronto explained in reference to the OCB:

“we don't have to accept the status quo. A single brewer can't do much, collectively
there's a voice, and they can approach provincial government. Initial changes to the laws
around beer distribution were made without consultation with the OCB, we have to stand
firm and say we won't just take what’s handed to us... There is a collective will and it’s
being exercised now. In the past there wasn't maybe because there wasn't as big a

demand for the product and there were far less craft brewers to have a voice. Now there are so many more, and there's so much more demand for the product...the OCB has said ‘We were not consulted, we would like to be before you go ahead and do these things because otherwise they mean nothing to us’.

According to the owner of a small brewery near Ottawa: “they’re really sort of at the front of pushing any changes or legislation, and things like that, which benefits even non-members of the industry”. The OCB is recognized by many breweries for its efforts acting as a unified voice for the industry in its attempt to establish new more favourable institutions.

Additionally, as mentioned earlier, the OCB was identified by many participants as an important source of information. In fact, regardless whether they are members, and whether they recognize it or not (or mentioned it in interview), most breweries likely rely on information gathered or disseminated by the OCB, as with the benefits from the OCBs efforts. The vast majority of respondents noted that they considered the OCB-organized conferences and news releases as important sources of information about best practices, trends, or other general information. However, in several cases the participants contradicted themselves about their reliance on the OCB for information. Several initial questions in the interview guide asked about where participants ‘got their ideas’ or where they get information relevant to their operations or the industry. Four respondents were particularly standoffish when answering these questions, and claimed to rely only on themselves or internal sources of knowledge, but most other breweries also claimed they were quite self-reliant. However, when asked whether conferences or trade shows were sources of information they had applied for their firms, most participants indicated that the OCB conferences (and often the U.S. Brewers Association conference) had provided them with ideas they had applied in the past or were instituting. Often, the participants interviewed did not identify the OCB as a source of information on their own, but only when prompted specifically.

Despite mixed opinions on the OCB among research participants, responses suggest it plays an important positive role in the industry as a source of institutional support and for solving problems. The OCB also presents a unified face front for the industry, which affords the industry significantly more power than any single one or small group of the breweries would have. In effect, it serves as an alternative to increase the resources and power that the individual
institutional entrepreneurs in the industry have when dealing with organizations and firms with greater resources and power. As a result, the industry is able to bring a stronger force to bear toward efforts to change or institute new favourable institutions. This type of alternative source of power was discussed earlier as a way of how institutional entrepreneurs – in this case craft breweries – can overcome the greater resources incumbents who prefer the status quo – here the macrobreweries – are likely to have (Hardy & Maguire, 2008).

5.3.2 Niagara College

Niagara College’s Brewmaster and Brewery Operations Program (referred to below as the program) is another source of institutional support and problem-solving assistance for the industry. Begun in 2010, the program combines in-class theoretical learning and hands-on practical training in brewing technology, brewery operations, sales management, and advanced business applications specific to beer-related or brewery-related business sectors, and currently graduates up to 54 students annually. The program is increasing the untraded interdependencies that are available to craft breweries in the province. Untraded interdependencies can include labour markets, public organizations, and institutions that “generate region-specific material and non-material assets in production” (Storper, 1995, p. 192). The program realizes untraded interdependencies by: 1.) providing a thicker endogenous labour pool; 2.) formally addressing existing and new problems; 3.) community building; and 4.) extending the industry’s links to actors outside of the province.

First, the program’s primary function of graduating students that are prepared to enter the industry helps create a larger endogenous labour pool that is knowledgeable and skilled in the particular needs of the local industry. According to the program’s support liaison, Alan Brown, who was interviewed for this research, students learn from local brewers about local tastes, methods, and expectations which helps reinforce (and may create) local institutions. According to Brown, its administrators meet up to semi-annually with a group of industry stakeholders consisting of brewers and brewery owners, suppliers, and other professionals related to the industry in the province. The stakeholders identify and discuss their problems, concerns, changing needs, industry trends, and experiences they have had with graduates to inform administrators about how they can best refine and update the program curriculum. While the curriculum is a work in progress, students appear to be well-trained and prepared for the
workforce upon graduation: Brown said the school has a 96 per cent employment rate for graduates, and many interviewees spoke positively about the program; several participants had even hired graduates from the program.

As stated previously, institutions develop as “meanings come to be shared and taken for granted” (Hardy & Maguire, 2008). The program passes on codified and uncodified knowledge and expectations about the local industry to graduates through classroom and practical aspects of the curriculum, which develop and reinforce local market institutions. In addition, the program increases the organized proximity (Torre & Rallet, 2005) of actors in the province through its curriculum. This research indicates that the shared understanding, technical know-how and language, and experiences of Niagara College graduates likely helps develop strong institutions and institutional supports in the local industry.

Second, Niagara College also facilitates formal assessment and resolution of some types of problems in the industry. The various stakeholders of the program that meet regularly, as mentioned above, discuss improvements that can be made to the program based on their day-to-day work in the industry. Whereas these actors might otherwise look at technical or logistical problems they are facing individually and in isolation, they are able to discuss them during the meetings, where: 1.) other actors at the meetings may have similar problems and be able to offer a solutions; and/or 2.) other actors may have the same problem and not have a solution, but be inclined to work together to solve it. By identifying shared problems, the actors that oversee and review Niagara College’s brewing program are well situated to address them either through changes in the program or its curriculum, or via joint problem solving outside of the school. As such, the program provides non-material assets in the form of more organized problem solving.

Third, the camaraderie that develops among students who share time in the Niagara College program is likely to be a further benefit to the local industry. Three respondents indicated that brewers who graduated from the program, particularly those in the same cohort, were in regular, ongoing communication with one another to solve day-to-day problems at work, ‘talking shop’ and generally discussing the industry. This type of ongoing knowledge sharing is likely a source of knowledge creation and network strength for the industry. For example, one brewer indicated that four of his past five hires were from the program and that they were “constantly on their phones doing the Facebook thing to solve problems”. Another brewer was
encouraging a closely-tied spinoff sub-label between a junior brewer at his firm and a brewer at another firm who had been in the program together by allowing them to add their logo on the can and produce their own collaboration brew. These two examples show a high degree of interfirm support, communication, and collaboration for problem solving and other activities in the industry that builds on relationships developed in the program.

Finally, Niagara College also serves to extend the reach of the local industry outside the bounds of the province. As mentioned previously, institutional hysteresis can be problematic in tightly-knit markets where outside information is limited and lock-in can occur (Bathelt & Glückler, 2014). While interview participants indicated that they informally network and access exogenous sources of information, for example when they go on vacation or to beer conferences and events such as awards or festivals, according to a participant with ties to Niagara College, the school provides such information on a much more structured and formal basis. First, within Canada the school has a sister program at Olds College in Olds, Alberta with which they work to improve curricula at both schools. Although the programs seek to address the specific needs in their respective areas, they discuss the overlaps and differences they identify in their local industries, and incorporate that knowledge into their programs. Moreover, according to Brown the Niagara College program includes at least two international students every semester, and students from as far as Brazil and Korea have graduated. These foreign students are sources of outside knowledge about their own local beer customs and trends, which they share with the other members of their cohort and teaching staff. These students thus may act as ‘boundary spanners’ by linking and facilitating interaction between firms here and in their respective countries (Bathelt, Malmberg & Maskell, 2004).

The Niagara College program is an important source of institutional support and problem solving for the industry by virtue of the untraded interdependencies it develops. As a result of aspects of its formal mandate, it transmits codified and uncoded knowledge about the industry which helps develop and strengthen local institutions and build a strong endogenous labour pool. By virtue of its self-monitoring, the program promotes group problem solving, at least at times in an organized prescribed manner, but also possibly ad hoc. Students in the program develop closer bonds than they might otherwise, which is feeds network connections in the industry. And the program creates more links to outside sources of information and extends the industry’s network outwards.
5.4 Marketing and interactions

Craft breweries are often small businesses with quite limited budgets for marketing. Despite this limitation, they have attracted consumers away from the general beer market and developed a strong niche market segment for themselves with strong growth over the past several years. Craft breweries sell their products to two types of consumers: 1.) licensees; and 2.) individual consumers. Licensees are bars and restaurants, or other third-party businesses (e.g. sports arenas, concert halls, theaters, and a variety of other possible venues) that are licensed to resell alcohol to individual consumers. Individual consumers are the general public who buy beer for personal consumption either from licensees or other retailers such as the LCBO, TBS, certain supermarkets, or straight from the brewery. The participants interviewed identified three main ways that they market their firms and products to consumers: 1.) door-to-door sales to licensees; 2.) direct marketing and/or sales to consumers; and 3.) social media. Based on the industry’s increasing annual sales, the three main tactics that the breweries use appear to be working; however, it has to be remembered the majority of participants did not face difficulties in generating some early-stage market success. Each of these marketing methods mentioned is discussed in further detail below.

5.4.1 An eager market

Craft breweries are currently benefitting from very strong demand from individual consumers for new craft beers. According to ten of the participants interviewed, one of the most important factors that they expect will affect the success of their firm and/or the industry in the short-term is the continued interest or growth of public interest in craft beer. Several of these participants’ responses indicate that, to a certain degree, they think their success is out of their hands: “well, definitely craft beer, the whole craft beer movement. If people continue to embrace new companies and entrepreneurs, then I think we've got a really good shot at continuing to exist”; “the whole movement to craft”; “we're definitely on an upswing in so far as people being interested in craft beer, and that's a good thing”; "well hopefully this trend of people buying lots of craft beer continues"; “the population is getting more into craft beer… that's a huge factor”. Without a doubt consumer demand will affect the industry; however, these participants’ responses indicate that they see themselves, at least in part, as passive, rather than the active generators of consumer demand. Participants’ responses suggest that craft brewers recognize or
perceive that their sales are based in part on a demand for their product that stems from somewhere outside their individual firms’ efforts.

My interviews further suggest that consumers are so eager for new craft beer that a firm’s early sales to individual consumers may require little if any marketing. According to one participant “[consumers] love the new tastes, which is good, I like them too, but it's difficult to keep up with [the demand]”. Another brewer was more frank about the ease of attracting initial individual consumers: “we’re currently in a bull market where consumers want anything that's new. So we could have opened the sh*tiest brewery making the sh*tiest beer with zero marketing and we would have sold in our first month”. However, these participants’ quotes also allude to reasons that marketing is essential for breweries in the industry. As will be discussed below, several participants indicated that their marketing is most important as a means of building sales with licensees, who are hesitant about the potential risks of new breweries, and for developing longer-term customer relationships, rather than attracting first-time individual customers.

5.4.2 Licensees

All of the participants interviewed indicated that their primary means of marketing themselves and building sales with licensees was by going in person door to door to licensees offering samples of their beer. As one participant said: "You have to have a good sales team out there, people just pounding the pavement going bar to bar". The vast majority of the participants interviewed who were also founders of their firms took part in on the ground sales going from licensee to licensee at least at the outset of the firms. As a result of hand selling their beer in this way, craft breweries are also cultivating close relationships with the licensees at which they distribute.

The relational perspective understands that economic behavior is not driven by financial considerations alone (Bathelt & Glückler, 2011). Rather, economic actors are “embedded in networks of interpersonal relations” (Granovetter, 1985, p. 504) that influence their decisions and actions. Though licensees were not interviewed for this research, it is reasonable to assume that as a result of dealing directly with the brewery owners, the licensee operators may be more embedded with the craft breweries than they are by dealing with the representatives of the
macrobreweries with whom they have less personal connection. As one brewer described based on his experience as a distributor of imported beer:

“I really learned how the business actually works. See, one of the problems when you’re selling import beer is I couldn’t offer any of those things that people wanted, I could only offer them free kegs or cash. What I realized is that... most of the bars want a partner. So let’s say [a bar] has a problem, maybe the beer is foamy, maybe the keg doesn’t taste right, they know they can pick up the phone and they can ask for me, or whoever it is here [at his brewery], and they can say we’ve got this problem, and we’ll be there in fifteen minutes and we’ll fix the problem. At the end of the day if they’ve got a partner they can have faith in, and that they know is going to be accountable to them, and that lives just up the street or in the same city, at the end of the day that’s worth more than twenty bucks...When it’s Labatt’s and they’re giving you twenty bucks to take their kegs and there’s a problem with the kegs, do you think Labatt’s gives a shit? They may, but that’s not what the bar owner’s thinking, he’s thinking ‘Now what?’”

The more personal or closer relationships that licensees develop with craft brewers provides them with a sense of security that makes the craft breweries more attractive than macrobreweries in some ways.

5.4.2.1 Ongoing relationships

Firms value ongoing market relationships over transient ones because of the reduced uncertainties and higher cost efficiencies associated with them (Granovetter, 1985; Loasby, 1999; Araujo, 2007). My interviews show that craft breweries seek to establish ongoing ties with licensees – to gain related benefits – but they are not always successful. Participants described two main factors in the market that keep their breweries from establishing ongoing relationships with licensees: 1.) consumer demand for novel products; and 2.) increasing competitive atmosphere. With respect to the first factor, as already mentioned many consumers in the market are on a constant hunt for new beers. As such, it is in a licensee’s interest to frequently rotate the products they offer to entice customers to return, which often means buying beer from different breweries.
The trend toward licensees rotating the beer they have on tap often may be a new aspect of the market’s institutional structure. In response to whether this trend was a recent in the industry, one participant replied:

“yeah definitely, that’s a change from where we were two years ago, from talking to [another brewery] who’d been in [the industry] for the five years before they said ‘yeah you get on tap and you get a bunch of bars that keep you on tap all the time’ but then 6 months later things had changed: bars didn't want to keep you on tap all the time, they wanted the next guy that came in.”

However, as another participant explained “this whole idea of rotating taps is a very difficult one, especially for a new brewery in the market to deal with, because it costs a lot of money to constantly come up with new beers and branding for it”. According to a third participant, producing frequently novel beer may limit ongoing customer relations: “rotating taps... are nice because you can get some product out there, but you're not really building a regular brand, you're just sort of saying 'Here try this' and then we'll switch out for the next one”. Finally, a fourth brewer suggested that a firm’s core ‘brand’ or ‘image’ can be hurt or even lost when they make too many new beers to satisfy the trend:

“Most brewers have been seduced by the incremental volume that comes with introducing new products. By doing that you put a mortgage on your brand that ultimately I think causes you to lose your brand. There are a number of breweries around that used to maybe stand for something but don't stand for anything anymore, and by playing into the hands of finicky drinkers, you end up giving them what they want and getting nothing in return.”

Several other participants also identified the demand for novel beer as problematic either because it can be expensive and difficult to constantly be making good new beers, or because creating new products to chase the consumer can dilute a firm’s brand. The market preference for novel beers may be developing a problematic institution that prompts breweries to produce new beers with increasing frequency, possibly to the firms’ detriment.

The second reason that participants identified for why breweries are finding it more difficult to establish ongoing relations with licensees is increasing competition. For the most
part, participants said they consider the growing number of firms in the industry to be a positive development. Six participants used the phrase “a rising tide floats all boats” almost word-for-word to describe their opinion, and nearly all of the participants said something to the effect that the growth in the number of breweries was beneficial for the industry overall. According to these participants, as the number of craft breweries increases, so does awareness about their products, and along with it the market grows. In short, most participants agree that more breweries bring about greater awareness about the industry which drives demand from individual customers and the licensees who serve them. The view that these participants’ share exemplifies aspects of the literature that describe how new firms entering a young market can benefit existing firms as it helps them overcome obstacles to trade, lends them and the industry credibility, extends market reach, and can strengthen nascent institutions (Casson, 1982; Loasby, 2000; Bathelt & Glückler, 2014).

However, several participants also noted that increased competition in the recent past was beginning to affect their firm’s ability to get in to or stay with licensees. For example one brewer, whose response is representative of several other participants, noted that when her firm had opened just a few years ago it was one of only a few in her urban region, but that now there were “something like sixteen” and “a bar will only have so many taps” on which to sell any one of those firms’ products. The earlier discussion about rotating taps applies here also, and indicates that brewers are finding the greater congestion in the market increasingly problematic as demand for novelty increases, again: “6 months later things had changed: bars didn’t want to keep you on tap all the time”. And unfortunately, as mentioned already also, the possibility that some craft brewers are resorting to undercutting other craft brewers by providing ‘kick-backs’ may undermine any potential benefits of increased competition. Of course, turnover at a licensee does not mean that a relationship ends forever – a bar may re-order the same brand after a hiatus, or the brewery may sell them a different beer after a while - but the relationship is interrupted.

Additionally, according to one participant who is very well respected in the industry, the relationship that craft breweries have with bars is a very important aspect of the industry’s success. In his response to an unrelated question about hop growers in the province, this participant said: “They're going to need us, and if you go back ten years, it was the same relationship with us and bars in Ontario: if they weren't willing to take a chance on us, then we wouldn't be where we are at all”. His comment indicates that the close relationship between craft
breweries and licensees has produced a degree of embeddedness that historically may have led licensees to support craft brewers despite potential risks, and that this was a key aspect of the industry’s success. The rate at which craft breweries in the province are increasing is outpacing the venues and taps available to them, which is making continuous, ongoing relationships with licensees less common. The effect of the changing relationship between breweries and licensees is likely to weaken ties among the various actors in the industry, which would be a detriment to firms operating in it.

5.4.2.2 Licensee Selection

For the most part, participants indicated that they take a pragmatic approach about where to sell their beer. This approach was neatly summarized by a brewery owner who said “we don't discriminate, if somebody wants to carry our beer and pay for it, then we'll sell it to them”. However, my interviews also show that when volume is an issue because a brewery cannot meet demand, and/or when the choice of which licensees at which to sell is an option they have to make, breweries sometimes select venues they prefer for specific reasons. Some breweries choose to associate their brand with another respected one. According to one such brewer: "If someone comes and wants the beer I'm not going to say no, but if we have the choice I like to try and get into some of the bars that have good reputation for good beers to start, and work outwards from there". Two breweries in Toronto that select specific licensees, which used more particular marketing and/or branding methods than most other participants, targeted their sales to bars with good reputations for carrying quality beer. They said they targeted bars such as Bar Volo and Barhop in Toronto because they knew it would get their brand in front of the beer ‘cognoscenti’, and that their beer would be maintained in a conscientious way (quality control is key with beer because it is perishable). Another brewer described a unique reason for selecting particular licensees. Based on personal experience in the restaurant industry, this participant initially looked to place her beer in venues that restaurant staff go to after work or on days off to recruit them as pseudo brand ambassadors in their own daily work. Her rationale was that the kitchen and wait staff in bars and restaurants would be more likely to recommend her firm’s beer to the decision makers at the restaurants they work at, and especially to customers there if they had tried and enjoyed it on their own, and she said that it was in fact a successful marketing strategy.
Both of the criteria described above that brewers use to select specific licensees serve as forms of specialized marketing that draw on ideas discussed earlier in the discussion on institutional entrepreneurship and framing. In the first case, by choosing specialized beer bars, the breweries press into service the extrinsic qualities of those bars, in addition to the intrinsic qualities all or many licensees offer. As Callon describes, when framing a new product, it is important to realize that “the customer buys not only the ‘material’ good but also the reputation and honour of the seller” (2002, p. 206). All licensees can serve alcohol, and a great many have well-maintained draught lines and well-regulated storage and service refrigerators, or what we may call technical or intrinsic qualities. However, by consciously focusing on a handful of recognized, craft beer-centric bars, the breweries can also exploit the social and cultural qualifications of the venues and their staffs to enhance consumers’ perception and interest in their beer. Further, by placing their beer at a few key bars the breweries are able to leverage the opinion of the small number of respected licensees in order to attract other licensees. In the words of one of the brewers using this tactic, for example,

“we would look at the craft beer bars in town, the ones that had some credibility as carrying good beers and we would go down and target those bars… from there word of mouth would spread, and bar owners maybe would have tried us somewhere and then called us, we’ve had a lot of people calling us…it’s kind of building its own momentum, which is nice.”

In some cases breweries select particular licensees at which they sell their beer as a sophisticated marketing tool to promote their beer.

In both the first and second cases, the breweries also rely on third-party opinions that are likely perceived as trust-worthy to help promote their beer. As Callon explains, when a consumer has to decide between similar products, he will sometimes consult intermediary “magazines or guides produced by specialists” (2002, p. 204). I suggest that the wait staff who work at the specialized beer bars in particular, but also to a lesser degree the staff who drink the beer on their time off and recommend it at their own place of work, are perceived to be such specialists, and that their recommendations serve as the guides Callon mentions. In this way, the breweries using either tactics described above are able to add value to their products in the eyes of a much larger audience by impressing a relatively smaller number of wait staff. Craft
breweries in Toronto have tried to enhance individual consumer’s and licensee’s perceptions of the beer they produce by having it sold at particular venues that have cachet and hold the respect of beer aficionados, or by contriving specifically to have wait staff act as brand ambassadors for them.

5.4.2.3 Benefits of this relationship

The main benefit to brewers identified from participants’ responses about their relationships and interactions with licensees is the ongoing feedback about their products that they receive. Participants’ interview responses indicate that breweries receive feedback and/or information about their products and consumers perception of them from licensees in three main ways: 1.) based on orders from licenses; 2.) directly from licensees; and 3.) indirectly from customers through licensees. First, several brewers indicated that one of their main sources of insight about their beer is whether and the frequency at which licensees reorder it. Their reasoning is that selling the initial keg indicates initial interest in their product, but re-ordering indicates the product was well received, that is, customers ordered it with enough frequency that the licensee wants to restock it. Second, breweries get feedback about their products directly from licensees when brewery representatives taste and discuss samples with them, and the breweries are informed of any flavour, spoilage, or other issues (e.g. kegs pouring foam, flat beer, damaged kegs, and any number of other issues) when licensees call to report a problem or ask for a solution or help with one. Third, licensees sometimes relay feedback about customer opinions, concerns, and suggestions about the beer after the fact to brewery representatives. Craft breweries gather specific and timely feedback and information about their products from the view point of licensees and individual consumers as a result of the market’s current institutions which promote close, ongoing relationships with licensees.

As discussed in the theoretical discussion, a firm is able to understand how it and its products are perceived and fit into a market, and to improve both, through trial and error adaptations based on observation and interaction with consumers in that market (White, 1983; Loasby, 2000; Callon, Méadel & Rabearisoa, 2002). My interviews showed that the interactions craft breweries have with licensees provides them with the information they need to make well-considered adaptations to their products to improve them to suit consumer demand.
A long-time contract brewery owner from Toronto provided a clear example of this process: while describing how his standard beers had evolved over many years, he said he had produced

“many versions of the same - apparently the same - beer, but we're on version 22... Part of that is striving to be as good as it can be, and part of that is the changing tastes of the market place... people’s [tastes] change over time, so we've had to adjust many of our beers just to kind of keep pace with the marketplace.”

When asked whether he got feedback from outside of the firm during this development process he responded “Yes, your customers influence where you go with your ideas”. Likewise, the head brewer of one of the older and larger craft breweries in the province described the process of getting feedback from licensees and applying it to development of their beer, but also to generally ensure their product meets the firm’s quality standards:

“[Employee X] is the head of our sales department, and we definitely, definitely have X involved. Not 100 per cent of the time, but at least somewhere in the [process] of any R&D we are doing on recipes and stuff, she will definitely sit in on a tasting that we do. And she comes back because we get the feedback from her customers, our customers, the licensees... whether there's issues pouring a beer, there's weird flavours in the beer, we get a lot of feedback that way.”

Direct contact and ongoing interaction with consumers provide craft breweries with important information they use to ensure the basic quality and improve consumer appreciation of their beer.

Another benefit that brewers likely realize as a result of the relationships they develop with licensees, though no participants mentioned it during the interviews, would be the increased embeddedness that close relationships stimulate, and the impact this could have on repeat business. Licensees in Ontario have available to them as potential sales options hundreds, if not thousands, of beers from over two hundred breweries. As such, all other things being equal, they have little pressure or incentive to purchase new products but reorder from the same firms on a regular basis. In this case, the trust that embeddedness engenders among trading partners (Granovetter, 1985), and which leads to ongoing trading relationships, may play a pivotal role in a craft brewery’s success. The value to licensees of lower search costs and the sense of security based on previous dealings with a brewery may be especially important to craft breweries that
are in competition against firms that are willing to offer cash or other economic incentives to secure sales, as macrobreweries (and some craft brewers) often do.

5.4.2.4 Means of establishing ongoing relationship

Craft brewers are able to develop closer relationships with licensees than are macrobreweries by virtue of their firm structure and size. The vast majority of respondents who also founded their companies noted that they started by marketing their products directly going door to door to licensees themselves. Moreover, my interviews show that most craft brewery owners and or head brewers continue to take an active role in many aspects of their breweries’ daily operations, and they interact on occasion with some if not all of their licensees, even when additional personnel have been hired. While my interviews also showed that it is common for craft breweries to employ sales representatives after some time, often the representatives are part of a small group of employees, and are only one step removed from the production of the beer. In several cases, craft brewery respondents indicated that personnel on their sales teams were very significant to the business because they had been around “since the beginning” or were “like a family member”, and they were often described as invested in and dedicated to the ethos of the brewery such that they would be very difficult to replace. In contrast, macrobrewery sales representatives are much further apart from the product or firm’s lifecycle. Craft brewery sales reps are often highly valued members of their operations, who share and translate or extend the brand’s core values directly to licensees. Participants indicated that their sales and marketing is often undertaken by actors who have a more significant connection to the firm and its products than there would be in a conventional employee-employer relationship, which is likely the case with macrobrewery sales representatives. Again, the personal nature of the relationship would increase embeddedness that promotes ongoing trading relationships (Granovetter, 1985).

The personal nature of the interactions craft breweries have with licensees goes beyond their sales efforts because each actor in small craft breweries plays a more significant role in that firm’s operations than do their counterparts in macrobreweries. For example, one brewery owner said

“the image that we’re trying to portray is that beer is something we make with love… it’s like one degree of separation, we want our product to always be hand delivered…” when
(our assistant brewer master) goes into your bar to clean your draft lines I want you to know that he’s one degree away from the product that you’re going to be pouring and that it’s not just some random guy.”

And according to another:

“we're a small company, so we don't have a lot of extra people more than we need, so everyone is integral to what they do... part of what gave us our success is that we've got really good people that are dedicated to all different kind of things [in the firm].”

Because of the structure and size of some craft breweries, in which every member may be key and greater responsibility is shared by every staff member, licensees are more likely to deal with personnel who are central to the firm. As a result, they may develop stronger bonds to the firm than they would if they dealt with a representative who has little or no personal investment in the firm. The close relationship that craft breweries cultivate with licensees as a result of the face-to-face meetings between them and brewery representatives develops highly embedded relationships that may serve to insulate them from encroachment of other breweries, and likely strengthens the industry’s position with respect to macrobreweries.

5.4.3 Individual consumers

My interviews show that breweries connect and interact directly with individual customers as well, but not as often, regularly, or in the same ways as they do with licensees. The main reason for these differences is that the breweries and individuals usually come together at sporadic events that last between a few hours and up to a few days at most. However, breweries with bottle shops, tap rooms, and of course brew pubs, have spaces to which customers can go regularly, and in which closer ongoing relations could be developed.

Breweries intermittently connect and interact directly with individual customers at four different types of events: 1.) craft beer festivals; 2.) special marketing or promotional events at licensed venues; 3.) non-beer-specific public or community events; and 4.) onsite at the brewery. The first three events are usually held ‘offsite’ from the brewery. Craft beer festivals are the most visible and highly publicized events at which craft breweries and their representatives interact with individual consumers. During the course of this research I attended craft beer
festivals that ranged in size from fewer than a dozen breweries gathered at a local bar to promote their beers, to events that included over a hundred breweries set up at a 197 acre public events space. Festivals usually last a couple of days, but may be held on one day only and can occasionally last longer. Special events at licensed venues include a wide variety of activities that are often smaller than the festivals in terms of attendance and marketing, the most common of which include: tap take overs, at which most often a single craft brewery ‘takes over’ all or most of the taps available at a bar (often with the inclusion of several one-off or specialty brews available); organized beer tastings; and beer and food pairings. Public and community events that feature craft beer range in size and publicity, and can include food festivals such as rib fests or ethnic food festivals (e.g. Taste of Little Italy, Taste the Danforth), public markets (e.g. Junction Night Market, The Stop Night Market), and arts festivals (e.g. Fringe Toronto). The inclusion of craft breweries at these types of events is a recent phenomenon that seems to have become more popular as general awareness and interest in craft beer grows. Most often the breweries are featured in specially licensed ‘beer gardens’ at community or cultural events.

According to my interviews, beer festivals are the main loci of interaction between craft breweries and individual consumers. All participants indicated at some point in their interviews that beer festivals were an important venue for getting feedback from individual consumers and also about other breweries - and/or for marketing and connecting to them. For example, on the subject of where and how they get feedback about their firm and products, some participant responses include: "definitely at festivals. I think that's the best and easiest way to convey a story and touch people, and get their feedback, and also to present ourselves"; “festivals and events are fantastic for that”; “mostly from face- to-face contact at festivals”; and “at festivals…we get feedback… you kind of get a feel for what people are interested in”. Questions about whether festival were the sources of ideas or relationships with customers generated similar responses about individual consumers; one participant said:

“[festivals are a] great way to connect with people, and get a firsthand sense of how people are responding to the beer... and just to meet people, it's always great to talk beer, get them to know who we are, as promotion and what not.”

And another replied:
“festivals are great because, again, you see what other breweries are doing to market themselves and what kind of products they have on offer, but you also get a great chance to interact with people and get feedback from people and find out what they're looking for, so yeah, that's an infinite source of information for us.”

Beer festivals were by far the most often mentioned means by which participants interact with individual consumers, and were identified as important spaces in which they could connect with, market to, and get feedback from these consumers. Again, observing and getting this first-hand information is the only way by which firms are able to understand where they and their products actually fit in a market (White, 1983; Callon, Méadel & Rabeharisoa, 2002). As such, these interactions are potentially valuable assets to craft breweries.

While participants mostly mentioned festivals, it should be noted that they were also not asked specifically about the other types of special events discussed above, and only generally about whether and why their firms take part in any local community events or programs. Bearing this caveat in mind, some participants identified interaction with the general public at the other types of events listed above as beneficial in terms of marketing in different ways. For example, one brewer in a mid-sized city in northern Ontario uses special events at licensed venues and public events to target different segments of the local market: they regularly take part in beer and food pairing events organized in conjunction with a local theatre group, and they interact with a likely very different crowd by sponsoring a weekly bicycle competition. The owner said that by targeting different events the brewery engages with different segments of the market, but they also help support the local arts and sports communities. The omission of specific questions about non-festival events likely had an impact on which interactions participants described, and my subsequent analysis and interpretation of their responses. As such, this project’s findings on non-beer festival events should not be considered conclusive, but they indicate that these may be important marketing avenues for craft brewers, and that deserve specific attention in further research.

Brick-and-mortar breweries with bottle shops and/or tap rooms and brewpubs have permanent spaces onsite where they can interact with customers on an ongoing basis. The frequency with which customers visit one of these sites can vary greatly and depends on the customers themselves, as well as on what is offered there and the promotions or events the
brewery offers. As mentioned earlier, some breweries push the boundary between themselves and brewpubs (and perhaps some zoning laws), and have taprooms that function almost as adjoining restaurants and/or bars with food available and regular live music to maximize sales as a means of overcoming distribution limitations. One contract brewery was planning a brewery with a taproom, and three brick-and-mortar breweries said they were expanding their taprooms to attract more on-site customers. Additionally, one of these participants mentioned that they “deliberately have a rotating selection of [12-13] specialty beers, and the goal is to have a cross section of all types of things at any given time” in their existing taproom. This brewer gauges interest and uses the customer feedback he gets in the taproom to help inform his product development decisions. However, despite the potential importance of taprooms for sales or consumer interaction, their significance and the apparent trend toward increased on-site and taproom sales were not recognized until later in the interview stage. Although few participants mentioned taprooms specifically as important sources of marketing or interaction with customers during their interviews, this is not evidence that they are not. As a result, this research may not provide significant insight about the benefits craft breweries realize from this type of interaction; therefore, further research focused on on-site interactions with consumers to better understand the significance of this part of the industry would be valuable.

5.4.4 Social Media

Social media was mentioned by five participants during interviews as one of the main means of promotion for their craft breweries (four of these participants also mentioned social media as a source of information, as discussed below). Given the limited resources that small firms have in young markets often have (Hardy & Maguire, 2008), it is not surprising that these free platforms, that have wide reach but can also be tailored or directed to specific audiences, are popular with craft breweries. As one participant described: “[We use] a lot of social media, we don’t have a budget for marketing, so when you don’t have dollars for that, you rely very heavily on social media and word-of-mouth”. Participants identified three widely-used social media platforms – Facebook, Instagram, and Twitter – as platforms their firms commonly use to promote the breweries, their beers, events being held at the breweries or that they will be attending.
Although most of breweries who mentioned using social media for marketing did not go into detail about how they use these platforms, two breweries indicated that they check the analytics on sites, which gives them information about consumers’ interests and online habits which they can apply to better market themselves. One participant who owns a brewpub said her firm very carefully examines the data available to identify how best to use the various platforms:

“it’s something that we’re constantly tweaking and playing with, we’ve gotten a lot of build on our followings on the different platforms, and deciding which one is more effective, and some of them are more effective for different things, so if you’re doing food this platform is better, if you’re doing drink this platform is better, if you’re doing sports this kind of a combination, so playing with that has been interesting: you know when is a picture better, when is a video better, when is just text better?... You can see time of day, how people are interacting... we have analytics built in on our website… yeah we check it all the time.”

Although this participant’s description of the extent to which her firm uses social media was an exception in the interviews, I was unaware until the final few interviews that firms could get such customized usage information from these platforms, and of the extent to which they can customize the platforms’ application for their needs. As a consequence, I did not specifically ask participants about the extent or details of their use of social media for marketing. Given that twelve of eighteen participants’ mentioned social media as either a marketing or information gathering tool, this aspect of the industry may also be a valuable avenue to explore further in future research.

My interviews showed that craft breweries are also using specialized social media platforms to collect information about their firms. Beer rating sites such as Untappd (which was mentioned most often in interviews), Ratebeer, and Beer Advocate are popular among dedicated craft beer drinkers. In general, these sites present searchable, user-generated beer reviews, and may include short articles or blogs, discussion forums, event listings, and/or links to other sites. By virtue of the open nature of the platforms, they may also be a potential source of negative comments if products (or a brand) are unpopular. Eleven participants indicated that they refer to these sites to get information about their firms, products, competitors and their products, or the industry in general. As one brewer explained
“That's the other way I was getting at that we hear from people, a lot of it is on social media. Untappd, I sometimes loathe Untappd, but I also recognize it’s a useful tool to a degree. I don’t take a lot of the comments - you have to sift through them, but it definitely gives you a good metric of where you stand, and how many people are drinking your beer and talking about it, and if you are relevant and what is relevant in the market, and who else are they drinking. So you have to sort of figure out where you fit. These are sort of things you look at as a whole in the market place, like where is the market, what is changing, what are the new beer styles, what are other people doing, and the social media gives you a good example of that.”

The rating sites can be sources of nearly instant, unfiltered feedback on products released through almost any means – in-house, various retailers, at special events, or otherwise. For example, reviewers can use their cellular devices to list and rate, or just indicate they have tried a one-off beer that they had at a small tap takeover as readily as they can list a macrobreweries’ product that is available at every beer retail outlet in the province. Craft beer rating platforms that developed in conjunction with but separate from the growth of the industry are an efficient mechanism by which craft breweries can learn what consumers think about their products and how they and their firms fits in to the local and overall market. Firms are able to use this information to make adjustments to their products or image, better market themselves, and improve their position in the market (White, 1983; Callon, Méadel, Rabeharisoa, 2002).

Contrary to my expectation at the outset of this research, my interviews suggest that blogs play only a minor role in terms of firms’ marketing or information gathering. In general breweries did not mention blogs as a source of marketing or information for their firms. Blogs only came up four times in interviews, and only twice unprompted (in both cases the participant identified blogs as a source of information among other sources). Of the two participants who were asked about blogs, in both cases it was to clarify a comment they had made. One participant said that these specialized sites are often followed only by ‘beer geeks’ and that he does not pay attention to them, and the other said that while she respected the bloggers’ opinions, marketing to them was “definitely not their drive”. Although blogs were a valuable resource for the research of this project as they provide knowledgeable contemporary information about the development of the industry, and while they may be important to a small subset of the beer
‘cognoscenti’, my interviews indicate they are not a significant aspect of the marketing or institutional support for the industry.

5.5 Patterns of collaboration and competition

According to my interviews, competition in the craft brewing market is organized differently between craft breweries and: 1.) macrobreweries; or 2.) other craft breweries. Almost every participant identified macrobreweries as the main threat to their firms and/or the industry, and that they compete with them in a traditional manner in that they try to gain market share from these competitors. Likewise, most participants recognized that other craft breweries were competitors; however, they clarified that the industry practices a unique type of collaborative competition. Nearly every participant made a point of saying that they do not compete with other craft breweries to gain market share from them; rather, they hope the industry as a whole gains market share form the macrobreweries, and that all of the craft breweries are able to benefit from this. A small minority of participants identified other craft breweries as traditional competitors, though even here there were reservations or caveats about how and which ones. The craft brewing industry has developed unique market institutions by which they operate in a cooperative type of competition against one another, while maintaining traditional competition with macrobreweries.

5.5.1 Competition with macrobreweries

My interviews show that craft breweries consider macrobreweries to be their main competition. Fifteen of the seventeen breweries that were asked about who they consider to be their competitors identified macrobreweries specifically as their competition, albeit with minor caveats in four cases. First, one brewer said macrobreweries were in a separate market, but also that they were in competition for the same customers. Regarding the former position, he said: "I don't think we really look at the macros as our competitor in a sense, because we're... totally different... especially the volumes they're doing... we feel it's a different product". However, regarding the latter, the same brewer also said that "beer drinkers are beer drinkers, so you know, we almost feel like we're on a pilgrimage because we want to convert people" and “I would say we have a larger enemy in the Beer Store, or in Molson's... they hold like 95 per cent of the pie, and there's 5 per cent for the rest of us. So there's a lot of opportunity to get a larger piece of the
pie for everybody”. Taken together, this participant’s comments suggest that he does see macrobreweries as part of his firm’s competition. Second, two participants specified that in terms of macrobeer they only considered premium domestic as competition, though again, this indicates that they consider macrobreweries as competition. Finally, one brewer said that macrobreweries were not competition per se but that their usurping of craft brands or image – ‘faux craft’ – were. Of these four participants, three also emphasized that other craft breweries were competition. The two participants who did not identify macrobreweries as competition did not say that they were not, they simply did not discuss these breweries in this context. While the specifics of the relationship are not unanimous, there is general agreement among participants that they are in competition with macrobreweries.

Interview responses indicate that craft breweries see macrobreweries as competition in the traditional sense of that relationship: they seek to increase their share of the market at the expense of the macrobreweries’ market share. For example, the quote above describing ‘the pie’ suggests that the respective interviewee wants to take market share from the macrobreweries. Likewise, the owner of a small craft brewery in Toronto described macrobreweries as

“competition in the sense that they command so much of the market, and I wouldn't have any problems stealing away some of their customers. Within craft brewing it seems kind of like ‘us and them’... as a collective, the big guys are what we're competing against... I would never go out and specifically aim to compete against [mentions a nearby craft brewery]: they make good beer, and they're my friends.”

Another craft brewery owner in Toronto said:

“All of our competition is the big guys... there’s 8 million hectoliters of beer sold in Ontario, all the small breweries together have maybe a million of that, so there's seven million hecs out there up for grabs and that's where I want to source my volume. I don't want to take a drinker away from High Park or Bellwoods, or anyone else, I want to take drinkers away from Molson and Labatt.”

My interviews indicate that craft breweries see competition with macrobreweries distinctly from their relations with other craft breweries, and that they are in a traditional type of competition with macrobreweries in that they want to gain market share at the larger breweries’ expense.
5.5.2 Competition among craft breweries

My interviews indicate that most craft breweries also consider other craft breweries to be competitors; however, not in a traditional sense. Fourteen of the seventeen participants that were asked identified other craft breweries as their competition. Of the three participants who did not identify other craft breweries as competition, one was a brew pub owner who identified competition in general in the industry as a good thing, but did not specify his thoughts about other craft breweries as competition other than to say “it is a very collegial industry, as most are when it’s little guys against big guys”. The second was a craft brewery owner that identified only Sleeman and Mill St. as his competitors, and would not elaborate on the subject, making it difficult to evaluate the significance of his input on this matter. The third participant, also a brewery owner, was clear that “definitely the large brewers” are his competition, and when asked specifically whether he considered other craft breweries to be competition he reiterated that macrobreweries “are the real competition”. A small minority of the participants interviewed do not consider other craft breweries to be their competitors.

However, while most participants indicated that other craft breweries are competitors, most of them also made a point of clarifying that they are not competitors in the traditional sense. Thirteen of the fifteen participants who identified other craft breweries as competitors added a caveat to the effect that they do not actively try to take market share form other craft breweries. The two offset quotes above are indicative of the distinction participants make about their competition with other craft breweries: they do not seek to gain sales at the expense of other craft breweries sales. Other participants made similar comments. The owner of one brewpub in Toronto said “it's competition and it's not competition, it's not like we're trying to steal from each other at this point... the market's still growing on the craft side”, which was echoed by the owner of another brewpub nearby:

“you want people to come to your place, but you also encourage them to go to other places, because it's a tide with many ships kinda thing - you all rise together, especially because this is still an emerging [market]… you're not competition in that you're trying to kill somebody else's business, you're in competition in that you're both making beer.... it's not destructive.”
Another participant, who owns a craft brewery, when asked to clarify an earlier statement about competition with craft breweries said:

“I want to be careful about how I word that. Competition not like I want to go out and steal their customers, but competition in the sense that the people who buy their beer are the type of people who would come and buy my beer too. I don't find that I'm trying to steal their customers away.”

The general opinion in the industry regarding competition among craft breweries is that it is currently a type of cooperative competition. The owner of a craft brewery who couched his response in a sports metaphor, captures this ethos: “imagine that we both play for the [Toronto] Raptors… I want to score more points than you on our team…but we’re both out to beat Cleveland”. Another craft brewery owner described the cooperative competition in the industry more directly: “I don't look at them as competitors, they're compatriots. We're all in this together, but if we all fight together, that pie gets a little bit bigger.” While there is definite rivalry and competition among craft breweries in the province, they do not work to undermine one another, and in fact may be working to support one another in competition against the larger perceived threat of the microbreweries.

The competition most participants described likely limits the negative effects of intra-market competition and maximizes the industry’s impact on the macrobeer market. This competition is a unique institutional arrangement that is likely a major help to the individual small firms that make up the craft brewing industry, and which also likely helped to establish the industry as a whole against the larger incumbent industry it competes with.

A final consideration about competition in the craft brewing industry, however, is that the cooperative competition that exists currently may not represent the industry’s long-term competitive arrangements. Because the industry is still young, and firms in it are still experiencing and expecting steady growth, they have little incentive to create a more cut-throat atmosphere in the industry. However, as the industry matures, the market gets more saturated, and growth slows, the nature of competition in the industry may change. My interviews indicate that there are already signs that such a shift may be taking place, and that breweries may be aware that the cooperative competition is temporary. For example, the earlier discussion about possible changes to ‘kick-back’ marketing tactics that are normally considered underhanded and
limited to microbreweries suggests that some craft breweries may be taking a more traditional approach to competition in the industry.

A second reason to think that the cooperative nature of competition in the industry may dwindle as the industry matures is that some participants either inferred or said that they expect this change. For example, one participant inferred the industry’s inter-firm cooperation was a temporary aspect of the industry when he said “one of the huge advantages of being in the craft brewing industry at the moment [emphasis added] is that it is so collegial”, as did the owner of another brewery, in northern Ontario, who said “it’s a very open industry at this point [emphasis in interview]”. Another brewery owner likewise indirectly recognized the potential shift to more traditional competition in the future when he said “I always say it's cooperative competition, but there are only so many taps in the restaurants, and there are only so many feet of shelf space dedicated to craft” – suggesting that as the number of outlets is matched by competing firms, the cooperation may cease. But the owner of a craft brewery in the Ottawa region was more direct, when he said that while he sees the macrobreweries as his real competition now,

“as the industry grows and gets more saturated, it's going to be more and more so other craft breweries… we're not in a stagnant sales cycle, we are selling more beer every month, so we're not too focused on the other craft breweries opening or closing, but like I say, I'm sure that will become more important in the future.”

A minority of participants indicated in their interviews that they thought the industry’s unique cooperative competition may diminish or end as the industry becomes more saturated and/or sales growth slows. If the market’s institutional framework were to change such that firms were less cooperative and traditional competition was the norm, an apparent major strength for individual firms in the industry, and for the industry overall – its collegial nature – might be reduced or vanish.

5.6 Summary

This analysis addresses five main aspects of the Ontario craft brewing industry. First it examines how the industry developed and whether new institutions have been established to replace those of the traditional beer industry. The findings presented here indicate that institutional entrepreneurs in the industry have in fact successfully set new institutions. In
addition, interviews reveal that the industry continues to evolve, with actors actively seeking to change institutions relating to distribution and possibly competition for the industries benefit. Second, this chapter discusses production-side relationships and interactions and finds that while there is limited interaction for the most part between craft breweries and supply firms, there are signs that the industry is attracting or stimulating support firms and industries, and there is more advanced interaction with the hops growers in the province that may benefit both industries. Third, this section discusses institutional support and problem solving in the industry. Analysis of interviews for this research indicates that there are two main outside sources of institutional support for the industry, the OCB and Niagara college that are helping firms overcome obstacles and to establish and reinforce healthy market institutions. Fourth, the discussion about marketing and interactions with consumers separately examined how firms interact with licensees and individual consumers. The findings presented indicate that while firms interact more often with licensees, the established market institutions are such that firms collect information from both groups, which can help them improve their products. Further, the existing market institutions are such that firms develop strong close connections with licensees; however, there is a trend toward promoting and selling novel beer at a faster pace which may undermine some positive aspects of the industry. Finally, this section presents a discussion of competition in the industry. The interviews conducted indicate there is a clear difference in the way firms see macrobreweries and other craft breweries: they are in traditional competition with the former, and exercise cooperative competition with the latter. Again, however, there are trends indicating that this institutional arrangement may not be permanent and may now be shifting toward a more traditional type of competition.
6 Conclusion

Although people have made and drunk beer since ancient times, and it was important throughout the history of North America, significant changes to its commercial production and distribution began around the turn of the 20th century. Prior to then there had been small breweries in most communities, but the advent of modern technologies including refrigeration, and improved transportation, and other aspects of globalization led to consolidation in the industry in North America and Europe (MacLeod & St. John, 2014; Howard, 2014). Around mid-century the North American breweries began to produce more homogenized beer until eventually the market was saturated with pale lagers that most consumers could not distinguish one from the other (Choi & Stack, 2005). When the first craft breweries opened in the 1970s they returned to more traditional brewing techniques to produce more flavourful beer. The number of craft breweries grew slowly at first, but since the 1990s, and especially in the last ten years, industry growth has been phenomenal. There are now almost five thousand craft breweries spread across every province and in Canada and the U.S. In their various markets, craft breweries with limited resources compete against macrobrewers that have vast resources for production, product development, and marketing. Macrobrewers also have established infrastructure to facilitate their operations that craft breweries have not. In particular, craft breweries in Ontario face a unique set of obstacles because there are stricter distribution laws than exist in most other jurisdictions.

This thesis presents novel research that uses a relational economic perspective to explore how institutional entrepreneurship and interactions among firms in and related to the industry, as well as with their consumers, have helped firms in the industry make their market. A key finding of this research is that institutional entrepreneurs in and/or supporting these firms have developed new institutions under which the industry now operates. These are quite different and specific to the industry, such as firms providing detailed advice about how prospective new firms can best organize their operations, or choosing to avoid stealing market share from other firms in the industry. These institutions continue to evolve, however, and not necessarily to the industry’s benefit. Namely, to date the industry has been very collaborative, which has been identified as one of its major strengths. By working together, or at least not against one another,
firms in the industry strengthen their position against macrobrewers; present a stronger face to the government; and create greater awareness among the public who are consumers or support the industry for other social or economic reasons related to it. However, many participants identified the likelihood that competition in the industry may change to being less cooperative in the near future. Depending on how far the industry moves in this direction, it may unmake for itself one of the more beneficial institutions entrepreneurs set up while establishing this industry.

This research took a broad look at the industry and its institutions to identify as its goal whether and how institutional entrepreneurs established new institutions. It would be valuable to take this research further to examine aspects of the industry that have been identified in broad strokes here in more detail. For example, examining the cooperative and collaborative aspects of the industry in other ways might bear interesting fruit. Future research could explore whether and how the institutions relating to collaboration and competition in the local industry have changed, for instance, and could compare the positive or negative effects of those changes. Future research might also look at collaboration and competition in another jurisdiction and compare it to Ontario. The market making process is context-specific and therefore unique to each localized manifestation of an industry. Comparative studies of other craft brewing markets would help provide a deeper understanding of how this and other industries develop.

However, it would be interesting as well to compare the findings presented here on the collaborative, sharing aspects of this industry with other non-brewing industries. Research on the ‘sharing economy’, or ‘collaborative consumption’ has become more popular in recent years, along with its prevalence in action among the general public (Belk, 2014; Cheng, 2016). Although there is no final definition of what the sharing economy is, generally it is recognized as something like “peer to peer sharing of access to underutilized goods and services, which prioritizes utilization and accessibility over ownership” (Cheng, 2016, p. 61). Examples of well-known sharing economy businesses include Wikipedia, YouTube, Uber, Zipcar, and AirBnB. According to Cheng (2016), growing interest in collaborative consumption “is strongly related to… better value distribution of the supply chain…, reduction of ecological impacts…, technology advancement and ultimately users’ changing attitudes towards product ownership and the need for social connection” (p. 60). Others argue that the net effect of the sharing economy is unclear, but caution that despite boosterism, it may lead to “the displacement of traditionally secure jobs and the creation of a land of part-time, low-paid work” (Penn & Whibey, 2016, June
It is too soon yet to tell what effects the sharing economy will have: it may be a passing fad or its creative destruction may initiate a socio-economic paradigm shift, but more likely it is here to stay and its effects will come to rest somewhere in the middle (Belk, 2016).

While the industry was not examined from this perspective, the research presented here suggests that craft breweries and their market in Ontario exhibit some of the characteristics associated with the sharing economy. In the briefest of terms, craft breweries take a very inclusive attitude toward other actors in the industry. Whereas the literature of the sharing economy is often focused on individual firms, the craft brewing industry can be viewed as an entire industry segment that is successful because it has been built on a true sharing economy among its members. The findings of this research hint that craft breweries may present some of the desirable characteristics of the sharing economy, while the undesirable ones (such as exploitation of cheap labor) were not apparent, but the firms also fit squarely in the traditional economy. It would be worthwhile intellectually to examine craft brewing from the perspective of the sharing economy, and in comparing it to firms or industries that are more commonly associated with that new economy to see how these two fit together. Further, that research may be useful to mitigate the less advantageous aspects of the sharing economy, or to better understand and reinforce the positive aspects that already exist among the breweries.

Another significant component of this thesis is the research presented on interactions and competition among firms in the industry, along with how they interact with supporting firms and organizations related to the industry. While there is a strong network among firms in the industry, which is related in part to the industry’s collaborative nature, connections with most suppliers and service providers are not especially strong; though more advanced interactions were identified between breweries and hops growers as well as a yeast laboratory in the province. In the discussion about institutional support and problem solving in the industry, this research also found there are two main outside sources of institutional support for the industry, the OCB and Niagara College. These organizations are helping firms overcome obstacles, and to establish and reinforce healthy market institutions. As the industry matures, the strength of these and other connections may change.

In combination with the findings presented on the cooperative nature of competition in the industry, it is clear that there is a thick network of connections among actors in this industry,
but these connections are not evenly distributed among all the actors. There would be value in returning to examine the interactions and connections among actors in the industry in the future to see what the arrangement of the network is. Connections between breweries and other firms related to the industry may become particularly important if inter-firm relations among the breweries change as expected, toward less cooperation and more traditional competition. The collaborative nature of the industry and the cooperative competition present among firms operating therein were identified as being major strengths for firms here, and changes seem inevitable; these should be reexamined in the future.

Finally, this thesis presented an extensive discussion of how craft breweries market themselves to and interact with their consumers. While firms interact directly with licensees and individual consumers, they do so more often with licensees. The established market institutions that allow and promote direct interaction – mostly hand selling to licensees, and meeting individuals at festivals – permit the firms to collect information from both groups. The knowledge the firms gather is valuable as it can help them understand and improve where they and their products fit in the market (White, 1983; Callon, Méadel, & Rabeharisoa, 2002). The same institutions also help the firms develop close ties to licensees, which may insulate them from encroachment by other craft breweries, and importantly from macrobreweries. Institutional entrepreneurs in the local industry have established institutions that facilitate their firms’ collecting information that they can use to strengthen their competitive position, and which strengthen that position by deepening embeddedness with licensees (Granovetter, 1985).

This research describes aspects of how the Ontario craft brewing industry developed and how it operates. It adds to the literature on craft brewing by addressing shortcomings in the traditional accounts for the industry’s development – the neolocalism and resource partitioning theories. This thesis applies a more thorough method – the relational economic perspective (Bathelt & Glückler, 2011) - for analysis of the craft brewing industry than previous studies use, and presents a more complete explanation of the industry’s development as a result. The perspective is novel in the craft brewing literature, and represents a significant conceptual contribution to it. A main contribution of this project is to identify the presence of institutional entrepreneurship among actors in the industry. The research presented here shows that institutional entrepreneurs have successfully mobilized resources to dislodge existing practices, and create new or change existing institutions in their interest. Moreover, this thesis shows how
by these and other efforts, actors in and/or related to the industry have made a market for themselves, despite competition from much larger firms in an established market. The findings on the importance of institutional entrepreneurship to the industry are the result of a novel conceptualization of how the craft brewing industry has developed, and represent a significant contribution to the craft brewing literature.
References


Belk, R. (2014). You are what you can access: Sharing and collaborative consumption online. Journal of Business Research, 67(8), 1595-1600.


Appendices

Appendix 1: Interview Guide

Firm & Participant Background
- Participant #:
- Position:
- Firm founded:
- # of Employees:
- Type of Activity/Production capacity:
- What events stimulated the founding of this firm?
- Who were the individuals and/or organizations inside and outside the firm who played a key role in its development? What role did they play?
- How did you get initial funding?
- Did you get formal training for your work at the firm? Where?
- For owners: Is this your main job?
- Why are you active in this industry?

Market & Logistics  (mostly n/a for brewpubs)
- By what means do you usually transport your product?
- Over what distance do you distribute most of your product (~50%+)? Where to?
- What is the furthest that you distribute to?
- Do you have plans to expand distribution in the near future? Where to?
- In what formats do you distribute your products? Why?
- Through what kinds of outlets do you distribute your product and about how many?
- What are significant changes (to products, production processes, or marketing) you have made to your business or products in the past few years?
  - Where did those ideas come from?
- Do you plan on making any major investments in the near future?

Firm Identity & Market Development
- Do you promote a certain image for your brewery?
  - From where does that image stem and why?
  - How do you promote this image?
  - Has this evolved since you started?

- How did you market yourself and develop sales in the beginning?
  - Were those means successful?
  - Where did those marketing ideas come from?
- Do you continue to use the same methods to market your firm or have you changed them?
  - How and why?
- Do you choose particular licensees or cast a wide net looking for general coverage?
• Why? If yes, why those?
  ● Always the case?
• How did you initially set prices for your products? Now?
• Do you keep track of trends in the industry?
  ● How?
    ○ What role does this play in how you market yourself or products you make?
• How do you decide which direction to go when developing a new beer?
• Do you get feedback from outside the firm during the development process?
• Where and how do you get feedback about your firm and your products more generally?
• Are there any other breweries you work with developing new ideas for your businesses?

**Competition**

• Is it important to differentiate your firm or products from others in the industry?
  ○ How do you do this?
• Who are your competitors?
  ○ Are they close by?
  ○ What are your relations with them generally?
  ○ If not other craft brewers, what’s your relationship with them?
• How does your firm keep track of competitors’ new products, services, or the processes they use?
• Does your competition, or other firms in the industry, play a role in the development of your products?
• Do you sometimes collaborate with other breweries either formally or more informally? In what areas? Why?
• Do any of your competitors enjoy economic advantages as a result of differences in their production and/or retail formats?

**Services**

• Are there any services provided by other companies that are important for you? What and Why?
  ○ Where are they located (i.e. locally, in the province, more distant)?
• Where are your important suppliers of raw materials, packaging, or equipment located (i.e. locally, in the province, more distant)?
• Do you use locally produced inputs?
  ○ Which? or Why (not)?
• Do you work closely with any of your suppliers, for example of raw materials, packaging, or equipment?
  ○ Are any ingredients/equipment specially customized for you?
  ○ Do you sometimes solve problems together?

**Employees and Training**

• Have any employees left your firm in the past few years? Are they employed now by other breweries or firms related to the industry?
• Have you or any employees that left the firm started up a supply business or a new brewery?
• Do your employees have specialized training for your business? What training? Where from?
● If an important employee were to quit, how easily could you replace them from within the region? Why?

**Industry Institutional Context**

● Has attendance at any festivals, conferences, or trade shows led to or been the source of ideas that you have applied? Which?
  ○ How did that occur?

● Did attendance at festivals conferences, or trade fairs lead to any of your present relationships with suppliers, customers, collaborators, or research institutes? Which? How?

● Are there any “informal” groups or places where you meet regularly with industry people from other firms?

● What are the most important factors in the region that contribute to or inhibit the growth of your firm?

● Are there any organizations, such as government offices or training schools that you work with for the benefit of your firm or the industry?
  ○ What primary benefits do you derive from these relationships?

● Are you part of any industry-related associations? Which?
  ○ How important is the association to your firm? To the industry?

● Are there any key business, community, or government leaders who play an important role in the development of the local industry?

● Does your firm take part in any local community events or programs? Why?

**Participant, Firm, & Industry Future**

● What would you consider a success for your firm? (Be prepared to clarify or prompt)

● What are the key trends (challenges or opportunities) that will likely influence the success of your business in the next five years?

● What can government do better to support the industry in the future?

● What can the industry do collectively to help itself?