

A photograph of two women sitting at a bar. The woman on the right is smiling and holding up a glass of beer. The woman on the left is also holding a glass of beer. The background shows a blurred street scene with bicycles.

The Craft Revolution in Brewing



Top 5 trends to watch for in craft beer

Despite being steeped in tradition, the craft brewing movement is astonishingly young. But it's growing up fast. In the United States there were a mere eight craft brewers in 1980, and just 537 by 1994. Today? There are more than 6,000¹ craft breweries in America alone, where consumption has grown by 500% and quadrupled its market share in the past decade².

Craft beer is here to stay

Not surprisingly, we continue to see established brewers diversify into craft. Meanwhile, craft consumption in Europe continues to soar with a compound annual growth rate of 11%³ estimated for the next few years; with South and Central America projected to be the next big craft beer region.

How does all this resonate with consumers? And what does it ultimately mean for the craft brewing industry? At DSM, our unique brewing enzyme solutions are used by much of the industry, including a growing number of craft breweries. So we commissioned a Global Insights Report to uncover what craft drinkers really think. The research covers several thousand adult craft drinkers of all ages in seven geographic markets (The UK, USA, Belgium, Spain, France, Italy and the Netherlands). The results speak for themselves...

Five takeaways, one big conclusion

1

More people are **drinking craft beer** – and it's the under 30s who are leading this revolution.

3

This is a global revolution, with drinkers placing more emphasis on **provenance and sustainability**.

5

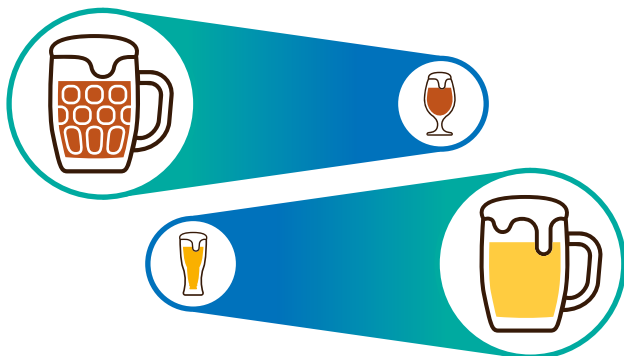
And it's a **revolution that looks here to stay**: Some 80% of craft drinkers will continue to try new brands.

2

Craft beer drinkers are putting **quality, and specifically taste, above everything**, including price.

4

Craft drinkers are increasingly **adventurous and open-minded**, with only 50% expressing a specific brand loyalty.



And the conclusion...?

We see a new craft beer revolution brewing that's ripe with opportunity and bursting with diversification and premiumization. As smaller brewers enjoy significant growth, and established multinational brewers continue to invest in craft breweries and regional brands, we appear to be witnessing the birth of a new phenomenon: Big Craft. Read on to find out how – and why...



Craft beer consumers are ready and willing to pay for a high-end product.



Tapping into **the craft generation**



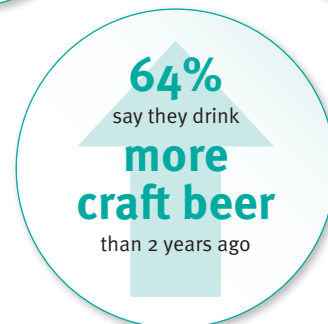
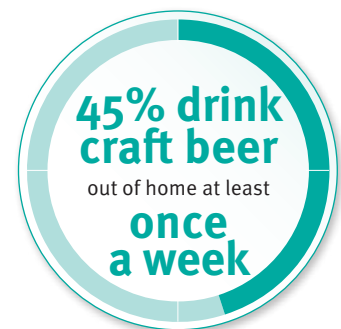
Business Director Beverages,
Joana Carneiro

“We knew the market was growing, but this shows that it’s positively booming. Perhaps the best news for the brewing industry is that we appear to have an emerging new generation of craft fans – and that represents a big opportunity for brewers around the globe.”

Our research reveals that craft beer drinking is on the increase – perhaps more than we thought.

In the past two years, just under 50% of the craft drinkers we surveyed say they now drink more craft beer. Just 6% of this group are drinking less craft beer. The greatest increase took place in those aged 18-30. Crucially, this increase is eating into regular beer consumption with 56% of respondents saying they drink less regular beer now.

About craft beer drinkers below 30...



It's all about **the taste**



Product Application
Expert Brewing, Theo Wijsman

“We knew that quality ranked highly with craft drinkers but the significance for brewers is that price was not such an obstacle. Craft beer consumers are ready and willing to pay for a high-end product.”

While smart branding remains an obvious attraction for craft drinkers (especially younger ones), a distinctive taste is the most important criteria when they buy craft beer.

Some 75% of our respondents cited taste above all else when choosing a beer, including price. Two out of three consumers said that drinking craft beer feels more ‘special’ than drinking regular beer. An equally large percentage were attracted to craft beer based on one single word: Premium. In general, ‘tasty, and ‘quality’ are the words that those surveyed also associate with craft beer; along with ‘local’.

Defining craft beer



Product Application
Expert Brewing, Theo Wijsman

“It’s very clear that when it comes to beer, the world is becoming a smaller place. Craft drinkers are developing increasingly exotic tastes – which is very good news for small breweries looking to expand, but also for larger brewers looking to establish global premium brands.”

Craft drinkers value ‘locally brewed’ beer but somewhat surprisingly this is less about where it originates from and more about how the product is produced.

The phrase ‘locally brewed’ will trigger the majority of our drinkers to buy a particular beer, but this seems to be more about intimacy than proximity. Some 87% of those surveyed said that for them, craft was defined primarily as a beer made in small batches and sold through a microbrewery.

The second-most relevant definition for 75% of those surveyed was a beer produced with fresh, local ingredients and available in a range of different product types. However, the majority of our craft drinkers expressed an interest in trying local beers from around the world. And one third of these expressed a strong interest in trying new foreign craft beers.

For further evidence look no further than Chicago’s Goose Island– which now has pubs from Shanghai, to Sao Paul to South Korea⁴.

How consumers define craft beer



Beer made in small batches and sold through a microbrewery



Fresh, local ingredients



Local beers from around the world

The craft revolution is all about sustainability



Business Director Beverages,
Joana Carneiro

“The emotional connection between craft drinkers and their beer appears to be even stronger than we thought. It’s a trend we’re already seeing at DSM across multiple food segments – and it sends a clear message to the market: it’s essential to have product differentiation and careful segmentation that really connects with the individual.”

Craft beer isn’t purely about the taste: it’s also about making a statement. Qualities like provenance of ingredients and sustainable production are increasingly important to drinkers.

Half our respondents believe that craft beer is more sustainable; and that a product advertised as being sustainable was more attractive. This is borne out by the fact that ‘ethical/environmentally friendly’ was by far the number one claim by new craft beer launches last year⁵. Two out of three craft drinkers we surveyed believe that craft ingredients are of a higher quality than those of regular beer. A similar number like to have some background information on the beer, like its ingredients or history.



Separating the hop from **the hype**



Business Director Beverages,
Joana Carneiro

“This is a really interesting one. Craft drinkers seem to be committed to the beer long-term rather than the brand. It’s a bittersweet message for the industry in some respects, but it represents a golden, untapped opportunity for brewers that can get it right.”

There’s no doubt that it’s hip to love hops right now, but it’s very clear that craft beer is here to stay.

Only one in five consumers we surveyed believe that the popularity of craft beer won’t last. In fact, some 80% said they’d continue to experiment with new brands. And just 4% of those surveyed said they would not.

Building brand loyalty is clearly an uphill task. Less than half our respondents said they were ‘quite loyal’ to a particular brand.



80%
believe that
the popularity of
craft beer
is here to
stay

**building
brand
loyalty**
is an uphill task



Is the glass half-full or half-empty for brewers?



Our research indicates that craft beer is ripe with both potential and pitfalls for the brewing industry. Perhaps the most relevant finding is that drinkers are not only committed to continue drinking craft beer, but also to trying new brands from new breweries, and indeed new countries.

For smaller brewers

The growing consumer appetite for new craft experiences represents a huge opportunity to grow their brands, expand into new markets, and ultimately to grab a larger share of this lucrative premium segment.

As the craft market grows, so too do the expectations of customers. And as the industry grows up, it will have more stakeholders to answer to – not least supermarkets and retailers with exacting standards.

Our research reveals that craft beer is recognized above all for its quality. The big challenge facing small brewers? Maintaining the quality, originality, consistency and authenticity of a product that will need to be produced in larger quantities, travel greater distances and sit on shelves or in cellars for longer. The sooner they start exploring ways to achieve this, the greater advantage they'll have in this new Big Craft revolution.

For larger brewers

The lack of strong brand loyalty from craft drinkers coupled with their desire to try new and exotic – but not necessarily local – beers represents a fantastic opportunity to reach new customers through an established global supply chain underpinned by proven quality standards.

The challenge is to continue engaging fans as a brand grows. The solution? Staying true to the values that craft lovers hold dear. That means not only locally and ethically sourced ingredients, more sustainable, 'lean brewing' and non-wasteful production methods; and democratic brand values that represent the diversion and inclusion in our society today.

In 10 years' time craft drinkers may be studying a label not only to learn the ingredients, but to see how the beer was actually made. What a competitive advantage this could be for big brewers who can make it happen and demonstrate the provenance (and credibility) of their craft beer...

Source information

This DSM Insights Report conducted by Totta Research surveyed 500 people from each of the featured seven countries (400 for the Netherlands and Belgium).

Demographics were (virtually) evenly split between five age groups: 18-30, 31-40, 41-50, 51-60 & 60-plus. These groups were split (fairly) evenly between those with higher and lower education, and heavy and light Craft drinkers. Research took the form of an online quantitative panel, conducted in December 2017.

Further sources are:

- 1 History of craft brewing. Brewers Association for Small and Independent Craft Brewers, website. Retrieved 7 June 2018.
- 2 Craft beer market. Grand View Research, 2017.
- 3 Craft beer market. Grand View Research, 2017.
- 4 Brewpubs help Goose Island engage with new consumers in international markets. Beverage Daily, website. Published 29 March 2018. Retrieved 7 June 2018.
- 5 Product claims on craft beer. Mintel. Retrieved 15 March 2018.



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At DSM Food Specialties, Enabling Better Food for Everyone is our purpose. We provide ingredients and solutions that enable our customers to make healthier and more sustainable consumer food and beverage products. We are driven to partner with our customers to create food choices that people around the world can truly enjoy.

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