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The Difference Between the On Premise and Off Premise Craft Beer Experience: Implications for the Craft Beer Category

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THE DIFFERENCE BETWEEN THE ON PREMISES AND OFF PREMISES CRAFT BEER EXPERIENCE: IMPLICATIONS FOR THE CRAFT BEER CATEGORY

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INTRODUCTION

The craft beer industry has seen dramatic growth since its emergence in the 1980's. Over the last 5 years craft beer sales in the United States have grown nearly 20% each year (ibisworld.com, 2015). According to the industry-developed definition, a craft brewer is a brewery producing no more than 6 million barrels in aggregate (www.brewersassociation.org, 2015). Although, each individual consumer may well have his or her own definition of what craft beer is. It is highly probable that, comparable with wine consumers, craft beer consumers will comprise different segments, ranging from connoisseurs to novices, just trying to determine their individual preferences from the wide range of craft beer styles available.

The differences between industry and consumers' perception of craft beer are not irrelevant, since they underlie the success or failure of craft brewers' marketing efforts as craft beer becomes more 'mainstream' and transfers from being sampled and sold in brewpubs, bars and restaurants ("on-premise sales"), to a purchase decision in the grocery store aisle ("off-premise sales"), obviously radically different shopping occasions.

For this study we define a craft beer as a beer as conventionally made by a craft brewery. Made with traditional ingredients, adhering to equally traditional beer styles, but subject to innovations in flavor as well as style, since many craft brewers develop their own unique beers to differentiate themselves in a crowded marketplace. Craft beer can be viewed as a market correction from the limited choices available to consumers after the beer market consolidation culminated in the 1970's. Throughout the postwar years, traditional beer styles disappeared, replaced by lighter lager-style pilsner beers. Large brewing conglomerates such as Anheuser-Busch (Budweiser), Coors and Miller Brewing invested for the first time in national marketing campaigns aimed at changing America's beer preferences by creating national brands (ibisworld.com, 2015). By the end of the 1970's the North American brewing industry consisted of only a few large brewers (www.brewersassociation.org , 2015).

However, this contraction of the beer industry and specifically the limited product choice, gave rise to the home brewing culture. Home brewing was the origin of what we now know as the craft beer industry. Some home brewers started small breweries, selling their beer on-premise and sometimes as "take-home" beers for a relatively small segment of beer enthusiasts. Although craft beer rapidly grew in popularity, industry experts and national brewers did not consider it a viable market threat exactly because of its alternative, local character and lack of widespread distribution in the retail channel. However, as consumer tastes and preferences for natural and local products began to grow in popularity, craft brewers rose in popularity and slowly started to increase production and regional distribution, some of them, such as the Boston Beer Company, Sierra Nevada, and New Belgium, achieving nationwide distribution throughout the 1990's and 2000's.

Today, most Americans live within 10 miles of a brewery and the United States now has more beer styles and brands to choose from than any other global market, surpassing even Germany (www.craftbeer.com, 2015). Craft beer sales have grown rapidly and continue to do so. Overall, U.S. beer sales for 2013 were down (-1.9%) while craft beer sales were up (17.2%) and since 2006, craft beer has grown at a compound annual growth rate (CAGR) of 10.1% (www.brewersassociation.org , 2015). Some predict that by 2020 craft beer will represent 15% of the beer industry (IBIS, 2014).

As noted, craft beer has been traditionally sold on-premise but has seen dramatic growth in off-premise sales over the last few years. This change in distribution is significant, not only because it facilitates growth in sales volume unobtainable in the on-premise channel for brewers, but more so because traditional retail sales takes away from the uniqueness and differentiation of craft beer from large national brands. Both types of beer are sold in bottles and cans and all brewers need to persuade shoppers to purchase their product through marketing stimuli such as advertising, labeling, and in-store (price) promotions. Actually, the difference in size puts small brewers at a disadvantage with regards to marketing budgets and power in negotiating distribution contracts and promotion and product placement arrangements with retailers.

On the other hand, many retailers are well aware of consumers' preferences for natural and local products and craft beer's place in this development and seek to emulate the success of craft breweries in off-premise sales. However, retailers have to decide which brands and styles to offer in the store. Should they offer what is popular already as measured by on-premises sales, or should they attempt to introduce new styles and brands to shoppers and to get them to "experiment?" Particularly in the latter situation, craft beer is at a disadvantage as national brands are able to invest heavily in marketing and sales of brand extensions (i.e. new beer styles) to shoppers who are already familiar with their brands, building on existing brand equity (Aaker, 1996).

Indeed, in answer to the growth of craft beer, most all large brewing conglomerates have introduced craft-like beer over the last few years, either by acquiring craft brewers, or by revitalizing dormant brands in their product portfolio and/or introducing some of their overseas brands in the United States. By definition these beers are not considered craft beer, but it is unclear how shoppers view these offerings compared to “true” craft beers. That being said, it is equally unclear if and to what extent craft beer in all of its complexity as a brand/lifestyle complex translates to the grocery aisle (IBIS.com, 2015, Shankar, V. et al, 2011). This apparent gap in the body of knowledge brings us to raise two research questions that describe the problem issue we set out to investigate and thus form the motivation for this study:

I. What are the on-premise and off-premise craft beer experiences?
II. Is there a significant difference? Does the one experience affect the other in purchasing behavior?

FOUNDATIONAL LITERATURE

It is important to note the foundational research only informed our research. This study is not based upon it, nor driven by the need to prove or disprove any extant theory (Pratt, 2009). On the contrary, we are undertaking this study in order to address a noted gap in the body of knowledge.

There are many different dimensions to customer experiences (Walls, Okumus, Wang, and Kwun, 2011). Ever since the first research into the experiences surrounding the selection, purchase, and consumption of consumer goods, this field, experiential marketing, has developed as a separate field in marketing scholarship (Grewal & Kumour, 2009). The experiential view of consumption focuses on the “symbolic, hedonic, and esthetic” nature of consumption, viewing the consumption experience as a phenomenon directed toward the pursuit of fantasies, feelings, and fun (Holbrook & Hirschman, 1982; Puccinelli & et al, 2009).

The one central theme underlying this strand of research is that consumer experience is highly situational and environmentally driven (Grewal & Kumour, 2009). By extension, this requires firms to consider the entire customer experience, outside and inside of the store, the actual purchase decision and of course the consumption of a product or service itself when devising a marketing campaign (e.g. Thompson & Aresel, 2009). Similarly, for retailers this means that not only do they have to consider the mere act of purchasing products, but they also have to understand for what occasion and under what circumstances the products are going to be consumed (Zondag & Flint, 2010; Karmer, 2010) In addition, it is of paramount importance to know who the consumer of the product is, which does not have to be the same person as the shopper (Neff, 2007).

The shopping experience is influenced by many factors, including human interactions, physical experience, situational factors, and the individual character traits of the shopper (Wall, Okumus, Wang, 2011). This phenomenon in particular is the motivation underlying a strand of research into Shopper Marketing (Neff, 2007). At a macro level of analysis, shopper marketing research recognizes two main types of shoppers, the extrinsic shopper who is less involved from an experiential perspective, but rather simply “goes through the motion.” And the intrinsic shopper who appreciates the shopping experience and derives satisfaction from the shopping process (Thompson, 1997; Suhere & Sorensen 2010). For example; our analysis of basket data pertaining to craft beer shoppers at Meijer stores, seems to indicate that the shopping occasion that leads to the purchase of craft beer is highly motivated by creating, or perhaps even “re-creating” the on premise craft beer consumption experience in a private, at-home, setting, i.e. a tasting or special (party) occasion. In this sense our research questions could be considered integral to the theoretical framework of Holbrook & Hirschman for experiential consumption developed already in the early 1980s (Holbrook & Hirschamn, 1982)

Our second research question is concerned with the on premise experience of craft beer consumption. On-premise consumption (restaurant, bar, etc.) means that the craft beer is consumed at the same establishment at which it was purchased and as such this retailer is providing the consumer with a consumption experience. This consumption, or more inclusive, this “shopping experience” can include such factors as environment and aesthetics of the “store,” but also more (intra) personal factors like emotions and social interaction with friends and/or store personnel (Rezende, Silva, 2013). Retailers must recognize that social interactions are an important part of the craft beer experience (cf. Thompson, 1997). This is important to the craft beer industry because 55% of craft beer is currently sold on-premise (Brew Bound, 2015). On-premise retailers can easily provide experiences for the consumers. This experience can be good or bad and, to an extent, will be unique to each individual. However, the retailers’ general goal is to leave a positive and lasting impression on the consumer which will in turn facilitate repeat buys, i.e. assuring patrons will return. In this way on-premise firms build brand equity (Aaker, 1996).

For this study, we are interested to discover if buying and consuming craft beer in a social/bar setting has any connection with the seemingly sterile or every day, somewhat emotionless act of purchasing a product in a grocery store. Extant research on the involvement of shoppers in their purchase decisions (Sorenson, 2010; Suhere & Sorenson, 2010), seems to indicate that products such as craft beer are a high(er) involvement purchases, i.e. subject to evaluation and choosing behavior by the shopper (Stahlberg et al, 2011). In other words, there seems to be at least a theoretical argument for considering the purchase of craft beer as a true purchase and consumption experience in the tradition of experiential consumption. However, we note the dearth of research investigating the (dis) connect between on and off-premises customer experiences, let alone specific to craft beer.

Theoretically, brand equity is an asset that depends on associations made by the consumer (Aaker, 1986). According to brand equity theory, firms can create brand equity for their products by making them memorable, easily recognizable and superior in quality and reliability. However, this is not necessarily the case when it comes to craft beer as compared to the big beer brands, limited as smaller brewers' marketing resources are. A more effective strategy for craft brewers is therefore to "slide under the radar" of the big brands, through more direct communications (Orth et al, 2004).

Direct communication includes direct marketing, targeted samplings, direct to consumer sales and other intensive promotional activities. At the same time, this seeming limitation allows these smaller brands to be more responsive to the market, i.e. ever-changing consumer preferences. When marketing craft beer it is consequently important to consider the circumstances under which the beer will be consumed (when, where, whom). This allows consumers to better identify with the beer brand within the context of their own life experiences.

The difference between the on-premise establishments and the brand manufacturers (i.e. brewers) in most all cases with exception of their own brew pub, is the ability to create emotional experiences for customers. This is easily observed at places such as restaurants or hotels. As mentioned above, many experience factors play into the creation of the "total experience". More specifically, consumer's individual characteristics influence the experience of situational factors. In general, the hospitality industry attempts to connect with consumers by creating a positive purchase/

consumption experience through physical environment and emotional/ human interactions (Walls, Okumus, Wang, Kwun, 2011).

What we are therefore left with is a research question pertaining to a social phenomenon for which there is little theoretical guidance, requiring us to devise a qualitative research protocol. We are looking to develop theory grounded in the lived experience of the participants, craft beer consumers. Therefore we are employing the grounded research theory (Glaser & Strauss, 1967).

METHOD

Grounded theory emphasizes the use of qualitative data collection techniques to record the lived experiences of social actors involved in the phenomenon under investigation (Glaser & Strauss, 1967). Grounded theory creates mid-level theory that addresses the actor's interpretive reality in social settings (Suddaby, 2006, p.634). In this study, these lived experiences were mainly recorded through interviews and observations of the participants, most of which took place at the location where the experiences happen, in brew pubs, bars or grocery stores, i.e. on-premise and off-premise.

Grounded theory regards "scientific truth" as the interpretive meaning social actors, or the participants, formed about their daily reality. When it is possible to observe certain parts of social phenomena, effective social research will have to examine and record the meanings and concepts actors use to make sense of their experiences (Glaser & Strauss, 1967; Strauss and Corbin 1998). Interpretive analysis of this data is done through a process of coding, interpretation, and additional data gathering, in an interactive fashion. Through this "sense-making" the researcher arrives at a higher level of understanding of the phenomenon. It is from this level that substantive or mid-level theory is developed. Grounded theory (as in grounded in the data) thusly developed should be able capture the phenomenon of interest with both an explanatory and predictive capability (Glaser, 1998; Goulding, 2002). This research process is often referred to as an emergent design (the theory "emerges" from the data analysis) and requires flexibility; the researcher needs to let the data direct the research in different directions before constructing a theory.

Grounded theory research is inductive and deductive and also has an abductive component, meaning that premises the researcher develops during the data collection analysis phases, are not immediately at the level of grounded theory (Peirce et al., 1992; Peirce and Wiener, 1966). The researcher needs to constantly consider different scenarios and re-visit the data or even gather additional data to compare alternative theories against the developing theoretical model being developed from the data (cf. Walsh & Bartunek, 2011). This "constant comparative method" (Glaser & Strauss, 1967) is the foundation of grounded theory research and is important for arriving at and understanding actors' reality at a higher level of abstraction (Cooney, 2010; Strauss & Corbin, 1998a).

There are numerous works available that provide practical guidance for conducting grounded theory research (e.g. Glaser, 1998; Goulding, 2002; Strauss & Corbin, 1998a), all of which require thoroughness and reliability checks. Grounded theory research is purposefully comprehensive in selecting data as well as in analytical techniques which allows the researcher a certain level of flexibility (Suddaby, 2006). As noted above, this study takes a comprehensive approach to data source selection and using different methodologies in the analysis of the data. However, we mainly relied on semi- structured interviews transcribed verbatim and subsequently coded by the main researcher, with a number of interviews also being coded by the thesis chair to check inter-rater reliability.

During data analysis, regular review sessions were held with the thesis chair to compare code schemes, but also to discuss and decide on the next iterative steps to take in data collection and consider alternative literatures to study. These review sessions led to the inclusion of experiential consumption theory in foundational literature and two additional interviews with grocery store shoppers.

DESCRIPTION OF PARTICIPANTS

We interviewed 12 consumer/shopper participants for this study. The interviews were semi-structured consisting of open-ended questions in order to stimulate a conversation about the participant's experiences with craft beer both on and off premise. It was explained to the participants that we were conducting research about the relationship between sales of beer in bars/ restaurants and in grocery stores. It was mentioned to participants that conversations with consumers like themselves were to better understand the process involved in the selection and purchase of beer in these two different circumstances. The main focus of the interviews was the researcher's desire to understand the participants' experiences, attitudes and opinions about craft beer, their pathway to individual purchase decisions and the differences between on-premise and off-premise purchase situations. Even though we had a set of predetermined questions, participants were probed to expand upon their statements and opinions and allowed to take the conversation in different directions.

The research participants were all consumers of craft beer. Some had more extensive craft beer consumption experience, while others were relative newcomers to craft beer. Because of the range of consumer experiences within the sample there was a great diversity in the responses. For instance, each of the participants defined craft beer differently. Appendix I shows the interview guide used during data collection. Appendix II shows the release form all participants signed. Table 1, shows the demographics for the study participants.

Table I: Study Participants

Given Identity	Gender	Age	Craft Beer Experience Level
1.	Male	50s	Enthusiast
2.	Female	20s	Novice
3.	Female	40s	Experiential
4.	Male	40s	Enthusiast
5.	Male	30s	Enthusiast
6.	Male	20s	Experiential
7.	Male	40s	Enthusiast
8.	Male	50s	Experiential
9.	Female	30s	Experiential
10.	Male	30s	Enthusiast
11.	Female	20s	Experiential
12.	Female	20s	Novice

In addition to craft beer consumers, we interviewed different industry managers as part of the data collection. These interviews also included a review of the preliminary findings of the data analysis and asked these professionals to provide suggestions for additional data collection or explain certain peculiarities of the craft beer industry and craft beer retail channel. The industry professionals participating in this study consisted of representatives of five craft brewers: Bell's, New Holland Brewing, Arcadia, Paw- Paw Brewing and One Well Brewery. In order to add further dimensionality to the data and place the consumers' experiences in the context of the craft beer retail channel, we also interviewed two managers from a beer distribution firm and one merchandising manager from Meijer Stores, a 200-store regional grocery chain.

Finally, in order to compare our findings against national trends, we discussed our findings with two managers from an international market research and market data provider, specialized in the beverage alcohol segment. The feedback and data from these participants provided yet additional dimensionality to the data and was fundamental in developing the three-tiered segmentation of craft beer consumers/ shoppers discussed in the findings section of this thesis.

PROBLEM DESCRIPTION & DEVELOPMENT OF RESEARCH QUESTIONS:

The motivation for this project emerged from the fundamental research question whether there is a relationship between on-premise and off-premise sales of craft beer. Also, if this relationship indeed exists, is there a directional causality whereby sales in one segment drives sales in the other segment? This question came up while working with Bell's Brewery and Meijer stores on related research into stocking and replenishment issues with craft beer. Where craft brewers such as Bell's are interested in obtaining more shelf space, retailers such as Meijer are obviously more interested in optimizing sales in the available in-store shelf space of the entire beer category.

Currently, Meijer offers a large selection of domestic premium beer brands such as Budweiser, Miller and Coors, next to a relatively limited selection of imported beers and domestic value brands. Because of the recent growth in craft beer consumption and focus on local products, Meijer, like most traditional retailers, is looking to decrease the number of domestic premium brands and offer more choice in (local) craft beer brands. The desire of Meijer and other retailers is thus quite simply to emulate the local, regional and national success of craft breweries in off-premise sales, i.e. in-store craft beer sales. Furthermore, in conducting an analysis of approximately two million shopping trips of Meijer customers to the craft beer section over a 12 month period from May 2013 to May 2014, we found that the basket of shoppers buying craft beer is of a considerable "premium" character. These baskets tended to record higher sales amounts and contained more high involvement, i.e. "experiential" items such as chips, dips, cheese, and fresh (deli) ingredients. This supports the general opinion, or more so the industry-wide assumption that craft beer shoppers are of higher value to retailers as they generate sales of higher margin, premium food brands.

The challenge to selling craft beer thus becomes the decision of which brands and styles to include in a retailer's craft beer offering. This is a complex issue given the many, and continuously expanding brand offerings, beer styles and taste varieties available. Retailers have to anticipate if shoppers only seek to buy the brands and styles they are already consuming and may have been buying on-premise or if they are willing, or can be motivated to experiment in the off-premise purchase of craft beer?

From a supplier perspective, craft brewers are at a disadvantage to national brands because they lack the necessary funds to invest in national marketing and sales campaigns and often lack the production capacity and financial means to quickly expand or add new beer styles, brand extensions or even build general brand awareness. Additionally, due to the legally required three-tier system of distribution, craft beer supply is characterized by inconsistent distribution and infrequent shelf replenishment due to the small-scale production and consequent product shortages. Consequently, it has become difficult for retailers to make assortment choices for the craft beer segment. Specifically for larger retailers, as limited distribution coupled with shoppers' preferences for "local" beer forces the development and management of different beer assortments ("beer sets") for different locations (read: stores), the choice of a craft beer product assortment becomes for retailers a complex set of interconnected decisions, they are often ill-equipped to deal with .

Beyond the operational issues of assortment and low on-shelf-availability, retailers are also faced with the issue that individual shoppers will likely all have different definitions of what craft beer is. It is reasonable to assume that in many instances, craft-like beer, brewed by a large brewing conglomerate, may still be considered a “craft beer” by less informed (or interested) consumers. In addition, the craft beer category is inherently complex, with many brands and style combinations, making it similar to the wine category. Often times, wine consumers experience “anxiety in the aisle”, where wine shopping and wine consumption are disconnected, and many shoppers do not know how to navigate, or feel overwhelmed by having to navigate, the wine aisle (Internal Confidential report). Craft beer may well have a similar effect on consumers and shoppers, hindering the growth of craft beer sales and preventing it from reaching full potential.

FINDINGS

The first iteration of coding revealed that there were certain consistencies between codes across participants. Upon further review and re-sorting of the code categories, it emerged that the codes in question were relaying similarities in the craft beer experiences of the participants based on their level of experience/exposure to craft beer and the extent to which (as self-proclaimed by the respondents) craft beer had become an integral part of the participants daily life or “life style.”[1] A number of participants for instance described themselves as true craft beer enthusiasts and regular “beer tourists,” travelling around the region to visit breweries and sample their beers.

In theoretical marketing terms, we found one of the factors available for segmenting craft beer consumers. In line with our findings as well as industry common vernacular used by market research firms, we named these segments: the novice, the experimenter, and the connoisseur. Although these labels are rather self-explanatory, for clarification purposes we provide our definition of each segment below:

- **The novice** is someone who is new to or inexperienced with craft beer. This individual has tried some craft beer, but is often hesitant to experience on their own. In many cases the novice relies on advice from friends or store personnel for trying new brands or styles.

[1] All words and descriptions placed in parenthesis in this section are so-called in-vivo terms, direct quotes from the data, used by the respondents and used by us to convey the meaning and maintain the connection between findings and data.

- **The experimenter** is someone who is willing to try new beer. They're not completely sure what all they like, but have a better idea than the novice, essentially the experimenter has developed a beer palette graduating from the novice segment. Experimenters are ready and willing to try a variety of styles and brands without much hesitation in their pursuit to develop a set of personal craft beer preferences.
- **The connoisseurs** know what they like, but they remain highly interested in trying new beers, specifically "new and hip" styles. Craft brewers specifically cater to this segment with limited release specialty beers, often sold at a premium price with accompanying promotions, seeking to create an event style launch of these beers, effectively strengthening their brand community. Connoisseurs consider themselves expert judges of taste for their own and others' consumption. With regards to the latter point, they often see themselves as craft beer ambassadors and "instructors," to the point of dismissing all non-craft beer offerings, or even those from larger craft brewers such as the Boston Beer Company (Samuel Adams) or New Belgium (Fat Tire). Connoisseurs know what they like and often have a favorite brand, but are of course always willing to stray away from that brand to try something new, although they tend to show off their knowledge by continuously comparing beers between craft brewers.

The core themes, i.e. main formative elements of the craft beer experience, we found consistently across all consumer segments for both on- and off-premises contexts were: taste, taste development, brand loyalty, occasion, and price. How these core themes interact across and in-between segments is tabulated in Figure 1 below and discussed in more detail in the following sections.

	On Premise	Both On & Off	Off Premise
Connoisseur	• Flight/samples- used to try different/ new brands at the bar before committing to buying something of greater value • Beer tourist- plan travels based on locations of breweries • Bar specials- not such an important factor • Pairings- have knowledge of/ willing to cook with and try with different food • Atmosphere- on premise to discuss and try new beer w/ bartenders, brewers, and other connoisseurs	• Taste- know what they like, very important and will be critiqued, usually have a flavor/style they “go to” • Recommendations- will take recommendations from others like themselves, brewers, or bartenders who they feel have experience with beer • Brand loyalty- very loyal to certain brands, but willing to try others • Learning experience- are willing to try new/ different beers but do not always see this as a learning experience	• Labels- reads them to get a better idea of a style/ flavor of beer, attracted to visually appealing ones but is not deciding factor in buying decision • Availability- often times are peeved when certain beers are not bottled/ not available at the retail shelf • Occasion- often buy certain beer for certain events, seasons, etc. • Who they’re buying for- usually buy something different when buying for others, need a “safe” beer • Promotions/ sales- will influence selection on certain beer
Experimenter	• Flight/samples- used for learning and trying new beer (brands & styles) • Bar specials- influence selections of beer some of the time • Pairings- willing to try at the bar/ with guidance	• Taste- important, but willing to try things they may not like • Recommendation- rely highly on recommendations of others including friends, bartenders, and brewers • Brand loyalty- not particularly loyal to one brand • Learning experience- find a learning experiencing whenever	• Labels- attracted to visually appealing labels, may influence experimentation • Availability- not much concern • Occasion- not much concern • Who they’re buying for- will buy something they believe most people will like

	• Atmosphere- there for the experience usually to socialize with friends	trying new beer whether at the bar or at home	• Promotions/sales- increase experimentation when not paying full price
Novice	• Flight/samples- not an important factor/ somewhat intimidated by them • Bar specials- more likely to influence selection because of price • Pairing- may be intimidated, not a lot of knowledge • Atmosphere- there for a certain experience (with friends, for dinner, etc.)	• Taste- important, like what tastes good, but doesn't always know what tastes good to them • Recommendations of- will take recommendations from others, but are sometimes hesitant due to their lack of knowledge of what they like • Brand loyalty- not loyal to one brand unless they find a beer they really enjoy • Learning experience- most experiences are learning experiences, but sometimes hesitant to try new beers	• Labels- somewhat intimidated by them, sometimes choose based on what they look like • Availability- not much concern • Occasion- not much concern • Who they are buying for- not much concern • Promotion/ sale- increases the chance of trying something new because with lower prices there is less commitment

Yellow- Taste

Green- Taste development

Blue- Brand loyalty

Purple- Occasion

Pink- Price

Taste was important for all segments. Most participants developed a frame of reference for taste, which acted as a "checklist" for making a purchase decision. One consumer said,

> "Taste and price are probably the two biggest influences. Then, it goes back to oh, I know I like this style of beer and that flavor sounds interesting."

Taste of craft beer was a consistent first decision factor across on-premise and off-premise experiences. That being said, each segment did view taste differently. The connoisseur views taste as an important factor within the context of further developing their craft beer expertise and will devise more elaborate descriptions of beer taste, similar to the way in which wine-tasting notes read. In the on-premise context, taste becomes therefore more complex for connoisseurs. Beer flights/samples as well as food and beer pairings become essential elements of the craft beer experience for connoisseurs, adding the comparisons between styles as well as the food-beer interactions as an additional dimension of their craft beer knowledge and expertise.

Understandably, for experimenters the same beer flights/samples in the on-premise context are an essential component of their ever-growing taste experiences with craft beer. Experimenters were much more willing to experience beer styles and flavors that they may have not liked in order to further define their palette. As such, experimenters used flights/ samples for learning purposes, but showed little to no interest in beer-food pairings. They had not yet developed a gastronomic view of craft beer as found with connoisseurs. Experimenters focused on the beer and not on food. They certainly had not yet experimented with food-beer pairings.

Finally, craft beer novices had a much more straightforward relationship with taste, they just know what tasted good to them and try to "stick to" that style or only made small deviations from it, for instance by trying new flavors, or when prompted by others that a new choice was "the same like" the beers they liked. For novices craft beer flights/samples and certainly beer-food pairings are somewhat intimidating. Novices had a fear of ordering something that they would not like, and even the process of ordering a flight of samples from many different beers available in the average brewpub seemed too confusing and risky, with a high chance of ordering beer that they will not like.

Taste development is closely related to taste in general, but differentiated from it in the data as each segment develops taste in distinct ways. We already mentioned the important role on-premise beer flights/samples play in facilitating taste development. However, given that certainly novices and to a certain extent experimenters did not rely solely on these tools, we found that the recommendations by others are an important element of taste development. One connoisseur consumer said:

> " I want to know about the product itself, am I going to like it, what kind of style is it and if I have the chance to talk with people who are working there I want to know what kind of hops do they use, what kind of fermentation styles… That kind of stuff, I'm intrigued by all this stuff."

As described in this vignette, the connoisseur actively searched for recommendations from others, such as brewers, bartenders or even other connoisseurs. Experimenters were more reserved about asking for advice, but did rely on any advice given by friends and mid-level experts such as waiters and bartenders. A discussion with a brewer about hops and brewing style seemed highly unlikely, as experimenters did not want to appear to be lacking in knowledge.

Finally, novice consumers will take recommendations from others, but remained hesitant to act on the advice fearing that they did not yet possess the knowledge to contextualize the advice, for instance being unable to understand what ‘a similar flavor experience to..’ actually means, given that they are unfamiliar with the reference beer and/or style taste profile to begin with. Participants across the three segments agreed however, that craft beer provides, and should be considered as, a continuous learning experience both in the on- and off-premise contexts.

Brand loyalty is another theme found across all consumer segments and it was a crucial and fundamental factor for both the on- and off-premise purchase decision for craft beer. This factor was most prominent with connoisseurs. In general, they were very loyal to a “go to” brand. Although that did not stop connoisseurs from trying other brands. As one consumer mentioned:

> “I’m all over the map, I don’t get stuck in a specific genre or flavor or brewery. I just like to experiment [with brand and styles].”

However, it seems difficult for craft brewers to achieve a level of brand loyalty found in other food products. Consumer loyalty was found to be directed more towards certain styles or flavors, i.e. seasonal beers, instead of the brewery per-se. Or, even location of the brewery, for example, one interviewee said:

> “I’m more committed to a style; IPA I would say more than anything but if you say a specific brand I’m thinking Michigan breweries just because I’m from here and I like to support.”

Interestingly enough brand loyalty was oftentimes even lower for the experimenter and novice segments. This can be explained from the more prominent roles sampling and taste testing plays as the pathway to developing a palette. Seemingly, brand loyalty is harder to develop for a craft brewer. Perhaps because craft beer is a relatively new segment, with limited marketing funds, brand loyalty is not yet an attainable strategic marketing goal?

Occasion was the next theme found consistently across all market segments. But, it differed significantly between on-premise and off-premise situations. For all market segments, “atmosphere” played a crucial role in the craft beer experience. For connoisseurs the on-premise atmosphere does not solely consist of esthetics of the brew pub, bar or restaurant, it was more important to have the ability to talk/discuss beer with bartenders, brewers, and other connoisseurs. In contrast both novice and experimenters described and experienced “atmosphere” in the on-premise context in terms of social experience, i.e. the ability to visit and spend time with friends, co-workers or family. One participant said:

> “I like having a beer with my dinner and I don’t drink at home by myself, it’s a social thing for me, I drink with other people.”

Experimenters may actually take this social element of the craft beer experience one step further and use them as the impetus to experiment with new brands and styles. In line with this result it is important to note that all participants agreed that the on-premise craft beer experience cannot be recreated at home. As one participant remarked:

> "You can recreate the taste, but you can't re-create the experience because the experience is this. It's the physical presence."

In other words, consumers don't think it's possible to recreate any part of the on-premise experience besides taste. This market reality leaves room only for two main factors that affected consumers' off-premise buying decision: the shopping occasion and whom (besides own consumption) the craft beer is being purchased for.

Connoisseurs displayed the most purposeful purchasing behavior, buying certain beers for specific occasions such as; parties, sporting events, seasons, and even seasonal beer launches. Connoisseurs also changed their buying behaviors when buying for others; in those instances they tended to purchase a "safe beer." Safe beer being a beer that they considered in their "expert opinion" to be one most people would like, rather than their more adventurous choices when purchasing craft beer for their own consumption. One connoisseur said:

> "… I will tend to buy something that I like that I know is relatively safe."

Experimenters and novice consumers were much less concerned with purchasing a "safe beer." They will occasionally buy for certain occasions, but tend to buy something they like and is in season. They worried considerably less about how they would be perceived by others through their beer buying choices, or even lack thereof, given that they are not "craft beer ambassadors." One experimenter mentioned:

> "I tend to like lighter ones, in the summer I want to go play volleyball, or go to the beach… so I tend to drink hard cider, hard tea, or something like that because it's not as filling."

Finally, the core theme that affected the craft beer experience across all segments, albeit slightly different in its impact between segments is **price.** As such, price obviously influenced purchasing behavior, which in turn determines if other elements of the craft beer experience are even acted upon. Or more simply put: one cannot experiment with new styles if the price is prohibitive to engage in experimenting. One participant remarked:

> "Price also plays into whether I'm going to try something new or not."

In the on-premise context, all segments' purchasing decisions were influenced by bar specials, i.e. price promotions. Connoisseurs were willing to pay a higher price for craft beer and in general price had the lowest impact on the purchasing decision. For experimenters and certainly for novices, price was a much more important factor, even in the on-premise context. The positive aspect of this phenomenon in the on-premise context is that for novice and experimenter craft beer drinkers, price is a quick and effective tool to stimulate trial behavior.

In the off-premise context, price promotions seemed to have the same influence as ascribed to it in the marketing literature, a positive, but often temporary effect on sales. Shoppers are often tempted by price promotions, but there are other experiential factors that have to be activated through the trial to create a lasting positive effect (Immink et al, 2004; Gu et al, 2010). For instance one participant remarked:

> “There are two things you could do to get me to your beer: number one, local is better and two, its price.”

It is noteworthy that this particular participant fell in the connoisseur segment, showing that even with the self-professed “beer snobs” price still drives off-premise purchase decisions.

CONCLUSION

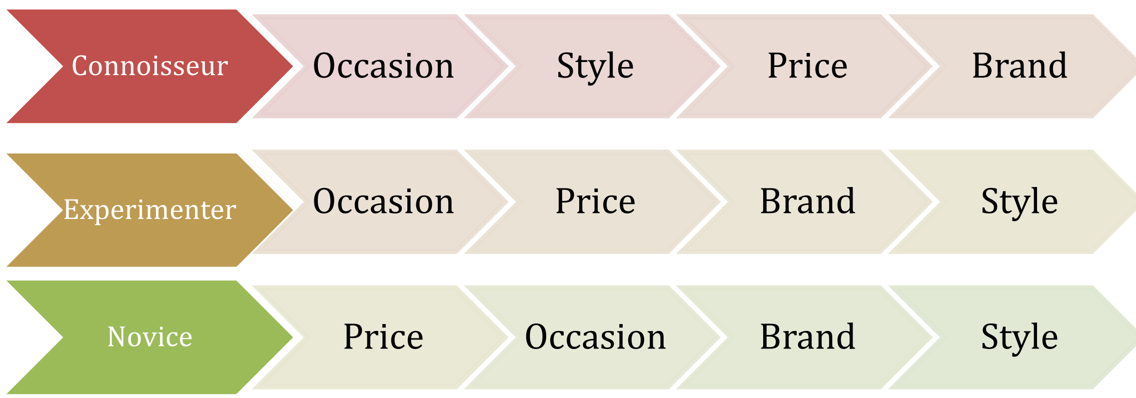
Particularly in the on-premise context, craft beer is a high involvement product and consequently, experiential consumption provides a fitting theoretical framework to explore and understand consumers' craft beer experience. On the other hand, this same theoretical framework provides little guidance for, in case of the off-premise craft beer experience, i.e. the path to purchase for craft beer in the traditional grocery retail channel. Our data shows that the on-premise experience does not translate to the retail shelf, even though most marketing efforts seem to be at least partially based on the assumption that it does. This disconnect is obviously explained as the result of the situational difference between these two purchase occasions and subsequent consumption. The on- premise experience contains some form of companionship and/or social interaction missing from the retail environment.

A further complicating factor is the complexity of the craft beer segment with its many brands and styles. This effect is limited in most on-premise situations with a limited assortment available and different marketing stimuli present to assist the shopper in her choice, e.g. recommendations from others or the establishment's staff. In the off-premise, retail context the multitude of options can become intimidating and confusing, even for more experienced consumers. In-store information is mostly limited to labeling, which does not convey much information regarding the purchase decision factors used by most craft beer shoppers in making the purchase decision.

On-premise selection and experimentation with new beer brands and styles is experienced as a lower risk choice with less commitment as it is only one glass versus a six pack. This causes off-premise consumers to fall back on known brands and styles. This presents an opportunity for in-store consumer education, such as sampling, shelf and other signage and initiatives such as “build your own six pack,” the latter recreating the on-premise low commitment scenario short of offering in-store samples.

That being said, craft beer attracts a variety of consumers and each segment will be susceptible to different in-store stimuli. In theoretical terms, each segment has its own consumer decision tree. Figure 2 below shows how each segment’s decision-making process differs.

Figure 2: Decision Process by Segment



The different understanding and definitions of craft beer between brewers, consumers and shoppers only underlines the importance of marketing for craft beer. Different messaging and product promotions for each segment will be required to assure that messages resonate with each different segment.

Despite the differences across consumer segments there are some factors that affect all consumer segments in a near identical fashion: price and taste. As mentioned, consumers feel less committed when purchasing beer on-premise providing at least the sense of more opportunity for experimentation, specifically with regards to style of craft beer and to a lesser extent regarding brand, as brand loyalty plays a larger role in the selection and purchase of craft beer across segments.

These conclusions seem to indicate that on-premise sales do not drive off-premise sales to the extent that retailers can use on-premise sales for making assortment selections. There remains an acute need for shopper marketing outside and inside of the store, with an emphasis on education of the shoppers and in-store sampling.

LIMITATIONS & FURTURE RESEARCH

The findings of this study are limited to the qualitative data collected. However, these data do show the need to undertake quantitative data collection and analysis of craft beer shoppers and consumers as well as sales data to further investigate and refine the qualitative findings. The findings of this study can act as the basis for development of future quantitative research instruments and secondary panel and sales data collection.

Furthermore, this study was regional in nature, as the majority of data were collected in Michigan. This may have biased the data and requires future research to expand its scope to a regional or even national level.

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APPENDICDES

Appendix A: Interview Guide

Interview Guide WMU's On-Premise / Off-Premise Research Project Introduction:

Thank you for taking the time to meet with us today. Our conversation will probably last 45 minutes to one hour. At Western Michigan University we are currently conducting research about the relationship between sales of beer and wine in bars/ restaurants and in grocery stores. We are having conversations with consumers like you in order to better understand, what all is involved with the selection and purchase of beer and wine in these two different places.

We are interested to learn about your experiences, opinions, and the way you go about making purchase decisions. Your experiences and opinions are important for our research. There are no 'right' or 'wrong' answers. We are here to learn from you, so when we continue to ask questions about a topic it is because we are trying to grasp the issue, even as it may be second nature to you.

We are trying to be as accurate as possible; with your permission, we will be recording our conversation. Please note that the researchers will only know your identity. You are guaranteed anonymity; we will not divulge your identity ever. You are free to not answer any questions that you are uncomfortable with or end our conversation at any time.

If you agree with this, we have a document for you to sign. It is an "informed consent form." It states in so many words that you agree for us to have this conversation today, and that we are allowed to record our conversation, transcribe it, and analyze it later. We can go over the consent form in more detail if you want to, there is no rush.

Questions/Topics Guide:

Please tell me about a recent visit to a restaurant/bar where you bought wine/beer?
Can you describe how you made the selection (what prompted you).
Did you enjoy the experience – did you want to repeat it?
Did you take a picture, wrote down the name in order to remember?
If you do that, will you do something with that information, what it the purpose? Such as see if you can buy it off-premise?
Can you remember when you actually did buy because of a previous experience – was it enjoyable – did it approximate your experience
In your opinion, what could brewers/wine makers do better to make the connection between off premise and on premise experiences?
Can you provide other examples of the connection between on and off premise that you experience as good or bad – or try to pursue?

Probes:

Constantly probe using non-verbal (active listening cues) and verbal cues such as; "tell me more about that," "what did that mean to you," "that seemed important to you, why?" etc.

Wrap-up:

Thank you for your time. This research will continue for ___ more months. Please contact us with any questions you may have (provide business card).
May we contact you with any further questions?
Do you have anything else to share, something important that we did not get to talk about or talk about enough today?
Do you know of other people we should talk to?

Appendix B: Informed Consent Form

Food Marketing Research Project - Informed Consent Form

Thank you very much for meeting with us today! We want to make sure that you are comfortable with our research procedure, and assure you that your name and information will remain confidential and will not be shared with anybody.

Western Michigan University's Food & CPG Marketing Program conducts this research. The topic is the purchase and consumption of beer and wine, both "on-premise" (meaning in restaurants and bars) and "off-premise" (meaning in retail stores). This research project will end December 2014.

We are having open-ended conversations with consumers like you, thanks in advance for sharing your insights and experiences with us. We anticipate our conversation to last for about 45 minutes to one hour. In order to stay focused on the conversation, we normally audiotape it and transcribe it for later analysis. Again, no references to your identity will be included in the transcript.

In case your participation today is in a "Focus Group" format, all participants in the discussion will be regular consumers like yourself. We urge you to participate actively and to be as honest and open as you can be. Please that in a Focus Group format it is impossible to provide full confidentiality between the participants in the group, however, we urge all group members to keep comments made during the discussion confidential.

We foresee no risk associated with your participation in this study. Only the researchers will know your identity. After each stage of the research any remaining references to your identity will be completely removed from all records. There will be no references in any reports or publications that could link a participant to the study.
The records pertaining to this research will be kept electronically by:

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Your participation in this study is completely voluntary. If you participate in this study you may withdraw from the study at any time. If you do so, your data will be destroyed. If you have any questions about these procedures, please contact Dr. Marcel Zondag. You may also contact the Chair, Human Subjects Institutional Review Board (269-387-8293) or the University's Vice President of Research at (269-387-8298) if questions or problems arise during the course of the study.

Please sign and date for your consent on the next page. If you want to, you can keep this page for your records.

Consent
I have read the above information and agree to participate and allow my conversation with the researcher to be recorded:
Sign: ____
Print Name: ____
Date: ____ /____ /________