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**Development prospects for the Italian
beer industry:
Craft breweries and local promotion**

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Table of Contents

Introduction	1
Chapter 1	
Beer and Territory	3
1.1 Definition and etymology	3
1.2 Beer through history	5
1.2.1 Beer in Italy	7
1.2.2 Italian craft beer	9
1.3 Raw materials and their proceeding	12
1.3.1 Water	13
1.3.2 Barley	15
1.3.3 Hop	17
1.3.4 Yeast	18
1.4 Italian territory analysis	20
1.4.1 Physical capital	21
1.4.2 Human capital	23
1.4.3 Financial capital	23
1.4.4 Cultural capital	25
1.4.5 Social capital	25
Chapter 2	
Market regulation	27
2.1 Craft beer	28
2.1.1 Craft brewery	28
2.1.2 Agricultural brewery	30
2.1.3 Brewpub, beerfirm and homebrewery	31
2.2 Label and container	33
2.3 Internationalization strategy and export	36
2.4 Good trades and Value-Added Tax (VAT)	37
2.5 Excise duty	38
2.6 The American case	42
2.7 The impact of taxation on the beer industry	46

Chapter 3

Market analysis	53
3.1 The role of pubs	54
3.2 Beer industry through numbers	55
3.2.1 European scenario	55
3.2.2 Italian scenario	60
3.3 SWOT analysis of craft industry	67
3.3.1 Strengths	68
3.3.2 Weaknesses	70
3.3.3 Opportunities	71
3.3.4 Threats	71
3.4 Canvas business model	73

Chapter 4

Consumer analysis	77
4.1 Survey methodology	78
4.2 Consumer profiling	81
4.3 Survey conclusions	89

Chapter 5

Development prospects for Italian craft beer	91
5.1 The protection of the product	91
5.2 Consumer's evolution	97
5.3 Beer and local identity	99
5.4 A future insight	101

Conclusions	105
--------------------	------------

Appendix A	109
-------------------	------------

Table of references	117
----------------------------	------------

Table of websites	119
--------------------------	------------

Introduction

According to the Annual Report of AssoBirra, the most important Italian firm with an institutional and protection role, the production of beer is exponentially increasing since 2009, leading Italy to the 9th place in the ranking of European producers. Therefore, the impact on the Italian economy does not go unnoticed both for the internal production and for what concerns export.

Starting from the definition of beer, in the first part of this paper we will discover its history, the raw materials and their processing to reach the marketable product. We will then analyse the different aspects that can link this type of production to the national territory, in particular if the physical, human, financial, cultural and social capital could constitute the essential substrate for such an economic activity.

We will then proceed to a brief outline of the legislation that regulates the market in the sector, both on a national and on a European level.

In the central section, the attention will be focused on the consumer in order to define all the main features of the demand.

Through a detailed analysis of the sector and its norms, a screenshot of the current situation will appear, in the light of which a feasible future scenario can be drafted with its development prospects.

This paper aims to prove that the demand for craft products is in strong growth, due to its link with the territory, and, where strengthened, it can determine a promising potential for the development of the reference market.

Chapter 1

Beer and Territory

1.1 Definition and etymology

According to the definition, beer is an alcoholic drink made from malt and flavoured with hops¹, obtained by fermentation of sugary musts coming from the diastatic saccharification of the starch contained in the kernels of some cereals.

The etymology of the word “beer” seems to create some debates. Some assume that it arises from the Latin learned by monks “*biber*” (to drink), while some others support the idea that it would come more likely from the Proto-Germanic form “*breura*”, that can be derived in turn from the verb “*brewwan*” (to brew), more precisely from the Greek *βρῶτος* and *βρῶτου*, meaning “fermented liquor made from barley; beer”².

The differences of the original word can be recognized in the actual way to call “beer” in various languages of Europe. There are 4 families in which the word can be grouped:

- A. The proto-Germanic root influenced countries of central Europe such as Great Britain (“*beer*”), Germany (“*Bier*”), Italy (“*birra*”), France (“*bière*”), and some Eastern Countries like Romania (“*bere*”), Greece (“*byra*”) and Turkey (“*birá*”).
- B. The latin form “*cervēs(i)a*”³ was related to the Goddess of Agriculture, Grain crops and fertility called *Ceres*, and it can be found in the Castilian word *cerveza*, and in Portuguese *cerveja*.

¹ Oxford Advanced Learner’s Dictionary (8th edition ed.).

² Kroonen, G. (2003). “*beura-”. In *Etymological Dictionary of Proto-Germanic* (Brill ed., p. 62). Leiden-Boston.

³ Castiglioni, L., & Mariotti, S. (2007). “*cervēs(i)a*”. In *Vocabolario Della Lingua Latina* (p. 192). Loescher.

1.2 Beer through history

The history of this drink started in the so-called Fertile Crescent between the 4000 and 3000 BC, a period that coincides with the birth of agriculture.

To fully understand the role that it has played in the history of humanity it is necessary to go back to more than 250 thousand years ago, when the primitives discovered the potential of alcohol.

According to Patrick Edward McGovern and many other researchers, some alcohol properties would be even the key for the development of language, writing and religions.

The first to notice the existence of fermented fruit and therefore alcoholic, would have been some ancestors of *Homo sapiens*⁷. It is believed that they were the ones who noticed that the fruits subjected to this process owned a more intense smell, could be digested more easily and had a strong antiseptic power. More than that, some further scientific research proved that the fermented product also produces B-vitamins, naturally occurring in limited quantities.

Beer was not invented, but discovered. In a relatively short time, man learned to tame cereals, to dry them to extend their usability and, finally, to wet them to reach a sweeter and more nutritious output. Wet cereals after a few days began to simmer and the liquid in which they were immersed became effervescent, acquiring the ability to inebriate those who drank it. In fact, it was probably leaving unattended this sort of soup that beer was figured out.

Although the first producers did not know how to activate the work of the yeasts, they learned to adapt beer to their needs. They always used the same container for fermentation which was thus cleaner and more regular; they managed the color, the flavor with the addition of a kind of baked bread and the aroma with flowers, spices, honey and berries.

In the Roman and the Greek culture, beer was not very successful among the wealthier classes that considered beer as a corrupted and deteriorated

⁷ Giaccone, L., & Signoroni, E. (2017). *Il piacere della Birra: Viaggio nel mondo della bevanda più antica*. Slow Food Editore.

product compared to wine. By contrast, it maintained a significant reputation among the poorest and slowly spread as the main source of liquid sustenance.

The Celts introduced one of the most important innovations for the history of this drink. In fact, starting from the 1st century BC beer began to be produced in wooden barrels which continued to be fundamental until steel was introduced.

While during the Middle Ages beer was brewed by women at home, it took many years before the Western Roman Church accepted it. It was only the influence of the Irish Church that brought the consumption of beer into Benedictine monastic rule, that was previously seen as a reference to pagan rites. Thanks to a nun who discovered the powers of hops and introduced the cultivation of this plant for brewing production, we know beer as it is today⁸.

In the following years, some events definitively marked the evolution of beer. First of all in Germany, the *Reinheitsgebot* in Germany was an edict that decreed the beginning of the hop era and placed restrictions on raw materials, to the point that German-style beers still maintain the simplicity imposed there.

Subsequently, many innovations in the brewing sector arrived in the United Kingdom thanks to the Industrial Revolution, which introduced the steam engine and immediately afterwards, refrigeration.

These very important discoveries allowed industrial activity throughout the year and not only in cold months as before.

In this way born the beginning of a culture that is still evolving.

⁸ Hildegard von Bingen (1098-1179) was a naturalist and herbalist German nun

1.2.1 Beer in Italy

Italy has never had a great brewing culture: Crushed by the diffusion and importance of wine, the beverage of Ceres has been relegated for a long time to the margins of Italian food choices.

According to ISTAT data in 1901 just over 42 million hectoliters of wine and just 400,000 hl of beer were consumed. In the context of a population of 33 million, this translates into a very significant per capita data: According to the graph below (Figure 1.2), each Italian consumed an average of 127.6 liters of wine compared to 1.2 liters of beer annually.

It therefore appears an abysmal difference that enshrines the enological dominance in the culture of the Mediterranean peninsula.

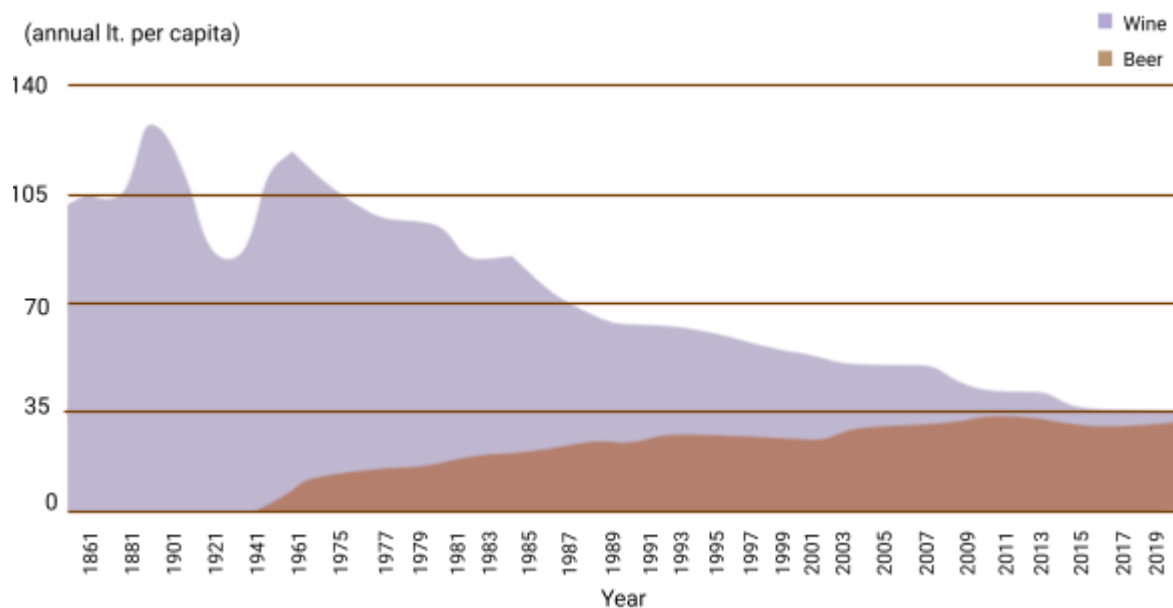


Figure 1.2 Italian beer and wine consumption (annual lt. per capita) 1861-2019⁹.

The modern history of beer in Italy actually has quite deep roots.

It was born in 1789, a year that marks the official date by the opening of the first Italian factory in Nizza Marittima by Giovanni Baldassarre Setter. Since that time, the beer industries have multiplied, especially in the north. The consequence was a strong impulse to the cultivation of barley, until then little practiced in Italy.

⁹ Giaccone, L., & Signoroni, E. (2017). *Il piacere della Birra: Viaggio nel mondo della bevanda più antica*. Slow Food Editore.

However, the history of the major Italian breweries over the years has always been very painful. In fact, despite a fair number of plants being active between the Nineteenth and Twentieth centuries, all ended with the closure or acquisition by large multinational companies.

The beers produced were very simple, mostly Bavarian-style and never managed to add significant content to the brewing scene of the time, also due to the bad reputation of this drink.

It was in fact labelled together with "water sodas", both for practical reasons and for more cultural ones. While the technology used to produce lagers was similar to that used to produce soft drinks, the very concept of good beer as a drink only to fight heat and thirst exactly like orange soda has certainly weighed heavily.

For decades this idea has accompanied the entire market of the Italian beer, which has then found it easier to sell a simple and refreshing beer rather than working on the recipe. Beer for the Italian taste could therefore never reach the nobility of a wine.

Fortunately this historical picture has changed thanks to the birth of craft breweries.

The conventionally chosen date is 1996 when some breweries that will revolutionise the entire sector were inaugurated: *Baladin*, *Beba*, *Birrificio Italiano* and *Lambrate*.

Since 1996, the growth has been unstoppable with the total number of active breweries¹⁰ registered from 1994 to 2015 that is always increasing in double-digit percentage.

The table below perfectly shows this exponential increase (Figure 1.3).

¹⁰ *Microbirrifici in Italia al 31/12/2018*. (2019, January 13). microbirrifici.org.

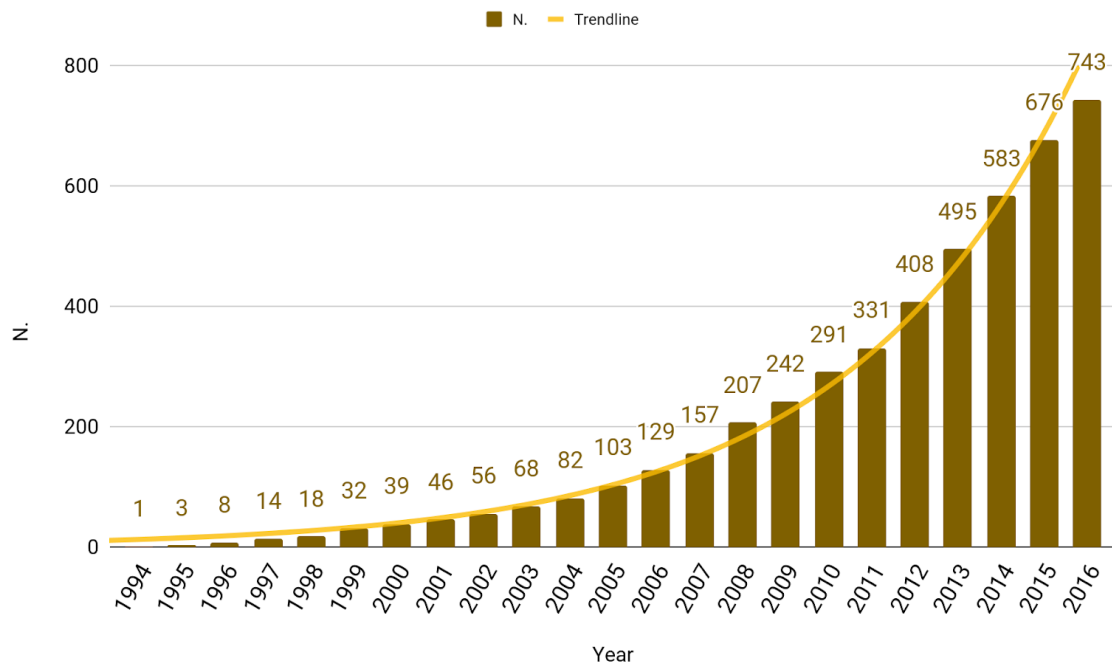


Figure 1.3 Total number of Italian active breweries 1994-2016¹¹.

The graph shows how the Italian brewing sector has evolved very quickly in the last 20 years, even if this increase is not accompanied by a similar growth in the share of national consumption¹².

1.2.2 Italian craft beer

Although the market share still has a wide opportunity for growth, the work carried out by Italian craft breweries deserves particular attention.

In fact, they were able to radically change the concept of beer, eradicating the stereotyped concept of a mainly summer drink, undemanding and with low standards.

To give credit to the great diversity that lies behind this world, Lorenzo Dabove in his book "*La birra non esiste*"¹³, argues that the singular term should never be used, but the plural one: The true nature of beers is a kaleidoscope of flavors that derive from very different histories and cultures

¹¹ Giaccone, L., & Signoroni, E. (2017). *Il piacere della Birra: Viaggio nel mondo della bevanda più antica*. Slow Food Editore.

¹² Chapter 3 will treat in detail the consumer and its habits in beer consumption

¹³ Dabove, L. (2015). *La birra non esiste: La vita, le storie, i segreti di Kuaska, il "profeta" della birra artigianale italiana*. Altraeconomia.

and are products of great nobility that can also be combined with great cuisine or aged like great wines¹⁴.

Initially born as a brewpub, the pioneers of 1996 had to face the ignorance and mistrust of Italian culture towards beer. In this regard, Agostino Arioli, founder and brewer of the abovementioned *Birrificio Italiano*, reports an exemplary episode: An elderly gentleman arrived at the brewery in a threatening manner telling him: "I know, I know what you do! I would never drink your beers! I know you put water in it!"¹⁵.

The commitment, passion and determination of the first brewers quickly gained a growing number of enthusiasts, who went on long journeys to taste different products, those that were opening a new trend, a new market, a new idea of beer.

The founder of *Birrificio Baladin*, Teo Musso, was the one who fought for the introduction of beer to the restaurant and catering business, gastronomy, wine shops, that is to say to all these worlds that before were completely devoted to wine.

During the first phase, the production was limited to the Belgian or German tradition, but soon Italy acquired its own specificities and peculiarities, thanks to the careful research on the raw materials and to the definition of a real Italian style.

In fact, as the percentages of the table below show (Table 1.1), the few raw materials do not satisfy the national needs so as to be able to base on those materials a territorial character.

¹⁴ Giaccone, L., & Signoroni, E. (2017). *Il piacere della Birra: Viaggio nel mondo della bevanda più antica*. Slow Food Editore.

¹⁵ Birrificio Italiano. *Official website*. Birrificio Italiano. <http://www.birrificio.it/>

	Self production	Imported from abroad
Malting	9%	91%
Hop Production	8%	92%
Special Raw Materials Production	14%	86%

Table 1.1 The percentage of self-production and imported raw materials in Italy¹⁶.

For this reason Italian brewers select their raw materials abroad, which is often considered a limit but that may have represented an advantage for the evolution of the Italian style.

The success of Italian brewing production is increasingly evident and is conquering foreign markets (Figure 1.4).

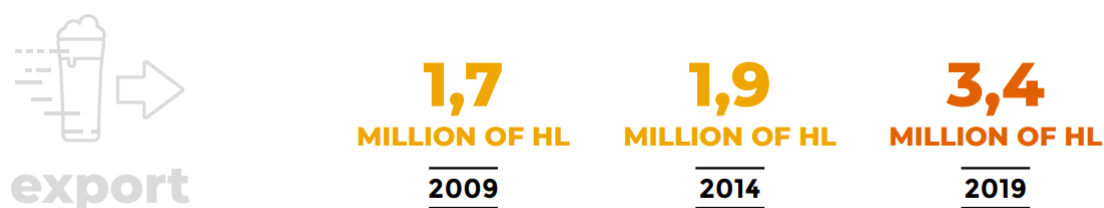


Figure 1.4 Total Italian export of beer 2009-2019¹⁷.

The key points of this achievement are certainly due to the Country of Origin effect and some more intrinsic characteristics of the Italian culture.

In fact, the strength of the “made in Italy” brand leads the way in the world market, thanks to its recognized fame.

The quality of the products, the elegance of aromas and even the refinement of the packaging, then positively confirm the expectations of the consumer.

¹⁶ ObiArt & Unionbirrai. (2019, March). Report 2018. *Birra Artigianale, Filiera italiana e mercati*, pg. 4

¹⁷ AssoBirra. (2019). Annual Report 2019., pg. 23

1.3 Raw materials and their proceeding

According to the Italian legislation, the definition of beer can be attributed only to the product resulting from the alcoholic fermentation of barley and wheat malt with water and hop¹⁸.

The composition of beer is therefore imposed by the law, implying that there are basically four fundamental ingredients (Figure 1.6) that determine all the visual, olfactory and tasting characteristics, i.e. water, barley malt, hop, and yeast.

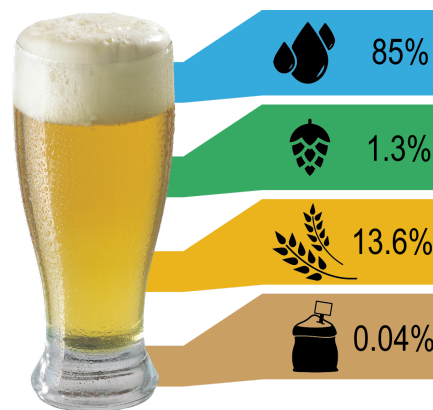


Figure 1.5 The percentage of raw materials in a typical pint of beer¹⁹.

Beer is in fact infinitely complex due to the variations that can be obtained with these four simple components and due to the problems that could arise during the manufacturing process. The brewmaster's ability turns out to be fundamental: With his/her extensive knowledge of every single element and how they can interact with each other, the brewer determines the quality of the final product.

¹⁸ D.P.R. 30th June 1998, n.272. "Art. 1. - 1. La denominazione "birra" è riservata al prodotto ottenuto dalla fermentazione alcolica con ceppi di *saccharomyces carlsbergensis* o di *saccharomyces cerevisiae* di un mosto preparato con malto, anche torrefatto, di orzo o di frumento o di loro miscele ed acqua, amaricato con luppolo o suoi derivati o con entrambi[...]".

¹⁹ Elaboration of the figure from Ingredienti. Theresianer. *Ingredienti*. (2021). Theresianer.

1.3.1 Water

In terms of quantity, water constitutes between 85% and 92% of each pint of beer, becoming for this reason the most important ingredient of the finished product.

There are three principal values that a brewmaster has to take into consideration, i.e. pH, water hardness and the levels of carbonate, sulphate, sodium and chloride.

For what concerns pH, water is alkaline when $\text{pH} > 7$, meaning that there is a high concentration of OH^- and low concentration of H^+ ; on the contrary when the high concentration is of H^+ and the the low one is of OH^- , water becomes acid, with a $\text{pH} < 7$. It is precisely the presence of certain salts that makes water alkaline or acid, becoming an easily measurable indicator during production.

While the pH is an easily measurable indicator, it is the presence of certain salts that makes water alkaline or acid. Precisely for this reason, it turns out to be very important for measuring the presence of calcium ions and magnesium that are the determinants of water hardness. Water hardness can be temporary, due to carbonate and suitable for dark beers, or permanent, thanks to sulphate and chloride that makes it appropriate for lagers.

In fact, a water with a concentration of some mineral salts is able to enhance a range of flavours rather than others.

The conclusion that can be drawn is that to each beer corresponds a specific type of water with all its peculiarities, and this can be the key for the success of the final product.

The two most emblematic examples are the cases of Pilsen and Burton-on-Trent. Pilsen is a city in Czech Republic where there is one of the sweetest waters of the world, with a very low concentration of the most common mineral salts, that makes it perfectly suitable for low fermented beers with bland bitter and a persistent malty note. The enormous success of the Czech production revolutionized the history of this beverage to the

point that for the first time a European beer started to be exported to the USA.

On the other hand, the city of Burton, thanks to its water full of calcium sulphate, kept on being for decades the capital of bitters and pale ales. In fact, the presence of chalky compounds helps to magnify the bitter tastes of hops.

A very interesting aspect in Italy is that water differs a lot according to the territory, showing an incredible variety between the North and the South. The map of Italy below (Figure 1.7) shows in detail the difference among waters: While in the South hardness is usually high, in the North due to the presence of Alpine sources, water is extremely light.

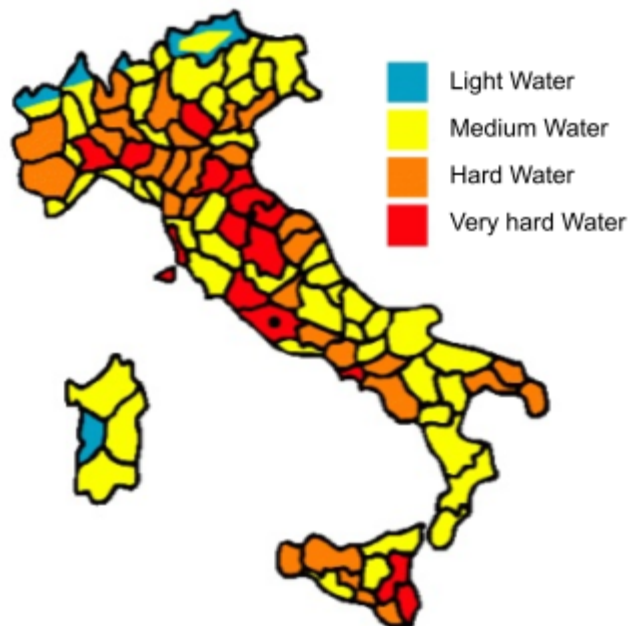


Figure 1.7 The Italian water hardness²⁰.

²⁰ Martinati, F. (2016, December 19). *Acqua: il principale ingrediente della birra*. *Giornale della Birra*.

1.3.2 Barley

The soul of beer is undoubtedly represented by the barley malt. Actually, the main characteristics of colour, body, alcoholic percentage, and sweet fragrances of beer can be directly or indirectly attributed to the malt used.

There are many reasons why the malt employed for brewing is principally the one coming from barley. From an agronomic point of view, it is a rustic plant that easily adapts to different climates and that consequently can grow everywhere. Furthermore, thanks to its high amid concentration the quantity of sugar needed for the most production can be obtained only with the addition of hot water.

To be exploited to the fullest, barley needs to be turned into malt, a process that starts with maceration, that is to say immersing barleycorns in water.

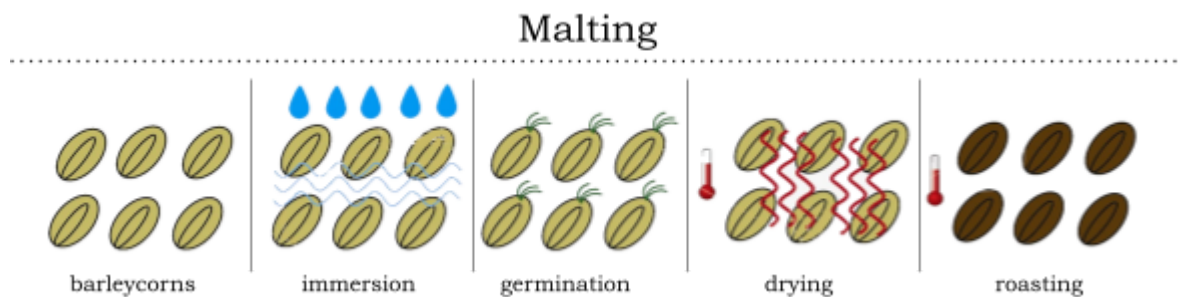


Figure 1.8 The 5 phases of malting²¹.

The last two phases will give to the end product the colour and the aromatic profile. In fact, it is the temperature and period of exposition of drying and roasting that significantly impacts on barley colouration (measured with the Ebc scale²²) and determines a different category of final malt. There exist, actually, four typologies of malt, labelled as basic, caramel, roasted and special.

Basic malts are obtained only through the drying phase of maltation and are traditionally used for light beers. Pilsner, pale, pale ale, vienna, and munich belong to this group. Conversely, caramel and crystal malts are directly roasted and give to the beer the sweet aroma of caramel.

²¹ Giaccone, L., & Signoroni, E. (2017). *Il piacere della Birra: Viaggio nel mondo della bevanda più antica*. Slow Food Editore.

²² European Brewery Convention, a scale between 4 and more than 1000.

Roasted malt derives from the roasting of pale malt, reaching the unique dark colouration, typical of biscuit, amber, brown, chocolate and black malts. In this case the aromatic base spaces from the sweet aroma of bread crust and mou to the stronger tastes of bitter chocolate and nuts.

Especially for beers coming from the Anglo-Saxon inspiration, the dark colouration can be reached also with the roasting of raw barleycorns rather than the more processed malt.

In order to obtain gustatory results difficult to get in other ways, some malts are treated with special processes. These malts are known as special and they can contribute to the production of sour beers (so called “*Sauermalz*”), smoked beers (smoked malt) and peated beers (peaty malt).

Due to the exponential increase of beer per capita consumption in Italy, there is a good potential for the agroalimentar sector of barley. Actually, 66% of malt destined for the italian production is imported from countries such as Germany and France, meaning that there is a lot of space for Italy to grow in this sector.

Since 2015, the economic value of this industry is in escalation becoming a very important part of Italian GDP (0.48%)²³.

Naturally, the potential of a sector is directly connected to the entire supply chain. In fact, a worthy production requires a good structure at its basis and an efficient system of product transformation till the saleable and after saleable phase, meaning that each step of the value chain must be reinforced and innovated, with undeniable positive effects on Italian economy.

More than that, microbreweries can rely on an added value and, consequently, on the “country of origin” effect: Italy and food are combined all around the world in the paradigm of quality, strengthened by a totally Italian production.

Working on quality, the value of raw material and barley origin become a fundamental factor to meet the needs of an increasingly careful and skilled consumer.

²³ Perretti, G. [Agroalimentar tech Professor]. Cerb - Centro di eccellenza per la ricerca sulla birra, Perugia.

1.3.3 Hop

Between the XV and the XVI century, hop became the component of excellence that gave the characteristic bitter taste and a variety of aromatic sensations. More than that, in a period of absence of preservative additives, hop stood out for its antiseptic properties.

Of the entire climbing plant of hop brewers exploit only the feminine flowers that secrete a yellow resin, called lupulin, full of alpha and beta acids, essential oils and polyphenols.

The difference between acids and essential oils lies in the final taste. Basically, the first are responsible for the bitter taste, while the latter give a much wider aromatic profile.

The total percentage of essential oils contained in hops varies between the 0.4% and the 2%, in which four main components have been recognized, i.e. myrcene, caryophyllene, humulene and farnesene.

Myrcene contributes with herbaceous and resinous scents that are strongly present in American hops.

Keeping the herbaceous but ending on spicy notes is typical of European hop, which is full of caryophyllene and humulene.

Farnesene, instead, is normally associated with floreal hints of the so-called high-grade hops, traditional for English ones.

Unfortunately the aroma given by essential oil is very mild and tends to be very volatile. For this reason, hop should be added within 30 minutes from the end of the boiling phase, in the form of pellet or extract or more classically, dried or fresh.

Also the hop provenance is strictly connected to its taste, since it also changes depending on typology and quantity of essential oils contained. Actually, the first five hop producers in the world (Germany, USA, Czech Republic, China and Poland) have some important common characteristics: They are all situated between latitude 30° and 55° and their temperature range significantly varies the climatic conditions between night and day. This

turns to be a key factor in order to keep and better the final aroma, as the wine expertise teaches.

Of the four main components of beer, hop in Italy is the only one almost totally supplied by other countries: 98% of Italian demand is met by import²⁴.

To overcome this lack, Italy is making an effort to start the development of autochthonous varieties of hop.

Thanks to a strong biodiversity and heterogeneous genetics, Italian hops would present, then, unique and peculiar characteristics. Indeed, they range from woody to citrus tastes, from white fruits to honey and spices.

To date, the hop production for beer exceeds the 100 hectares, meaning about 200 tons per year, compared to the 42k tons of Germany.

This can be viewed as an opportunity for Italy to enter the market as a novelty, and marking the starting point for a 100% Italian beer.

1.3.4 Yeast

Since yeast is the main responsible for the transformation of sugar into ethanol and carbon dioxide, without this component beer would not even exist.

Yeast is an unicellular organism belonging to the mushroom kingdom that can be found typically everywhere, thanks to the air currents that make it fly.

Despite the knowledge about this microorganism being basically very recent, brewers of the XV century started to incorporate a variety of yeasts just to obtain different foams with different taste and consistency. This marked the birth of the culture of yeast.

In the past, the belief was that fermentation was the result of the contact between beer and air and that, therefore, yeast had no active role; Over the years, a more scientific distinction appeared: Yeasts can be classified according to the type of their fermentation, that can be high or low.

²⁴ Cricca, L. (2018, September 21). *Luppolo, una nuova eccellenza del made in Italy*. Agronotizie.

“Ale Yeasts” belong to the *Saccharomyces cerevisiae* species, the most widespread in nature. Their peculiarity appears at the time of reproduction: They create a complex structure by remaining attached to each other that carbon dioxide pushes upwards during fermentation. Another important characteristic is their ability to release an assortment of aromas, since the fermentation temperature is quite high (16°-20°C).

For its ease of use, all beers were brewed thanks to this yeast until 200 years ago.

The opposite category of yeasts, called “lager”, offers more mild beers, due to the lower temperature of their fermentation (9°-13°C). Unlike the previous, the cells of *Saccharomyces pastorianus* remain distant throughout their reproduction, consequently falling downwards during fermentation²⁵.

A totally different way to make the beer ferment, is the one used in the past and still today in Belgium: The spontaneous fermentation. This method requires very long fermentations that occur without deliberately inoculating yeasts, but rather with bacteria and mushrooms. For this reason, their processing is really difficult and Lambic beers tend to have a marked acid taste.

In fact, since yeasts are alive cells, they can completely modify the final product even at the end of fermentation, rendering it possibly unusable for the beer market. To avoid this problem, industrial beers tend to be pasteurized allowing a more reliable good, in contrast to craft beers that keep their essence of craftsmanship by taking the risk.

With regard to the completely Italian yeast, it does not yet exist a species precisely Italian, but some breweries are conducting research in this field on the peninsular territory.

²⁵ In Italian the two categories are called “*lieviti a alta fermentazione*” vs “*lieviti a bassa fermentazione*” precisely for their different behaviour during fermentation and for their working temperature.

1.4 Italian territory analysis

Since its foundation, European Union has recognized the centrality of the agricultural sector for an equitable and stable development of Member States. Pursuant to article 39 of the Treaty on the Functioning of the EU, the Common Agricultural Policy (CAP) represents the set of rules established to pursue some common goals: Increasing the agricultural productivity, achieving fair living standards for agricultural population, stabilizing the markets, and ensuring affordable prices to consumers²⁶.

To concretely implement this policy, an interesting program has been created: The LEADER²⁷ initiative program provides specific funds for the agricultural industry and it is developed through the drafting and implementation of Community-led Local Development plans by Local Action Groups²⁸.

The Community-led Local Development plan is a project starting from the analysis of territorial needs that aims to requalify and develop a territory by establishing objectives, intervention methods, management, surveillance and evaluation methods.

The purpose of the CLLD is to foster the development of local partnerships between communities, individuals and projects in order to activate the business development that enhances local resources and encourages integrated design on the territory²⁹.

These plans find their basis on analyses made at a local level, studying the territory in all its characteristics, starting from the more physical features till the socio economics factors.

It turns out to be interesting the same analysis tailored on the Italian territory for craft beer, which became a fully-fledged agricultural product in 2010³⁰.

More precisely, this type of analysis would study in a key purely aimed at measuring the compatibility between the beer product and the Italian

²⁶ *The common agricultural policy at a glance*. (2019, March 17). European Commission.

²⁷ *LEADER/CLLD*. (2021, March 19). European Commission

²⁸ *Piani di Sviluppo Locale (PSL) developed thanks to Gruppi di Azione Locale (GAL)*

²⁹ *Glossario PAC*. (2004). AGRIREGIONIEUROPA.

³⁰ Turco, A. (2010, September 15). *La birra diventa un prodotto agricolo*. Cronache di Birra.

territory, all the topics that have been developed in the previous paragraphs from a more cognitive perspective.

Similar to the case of Italy, other European countries are making an effort to encourage a totally domestic brewery industry³¹. Actually, the movement of high-quality craft beer is flourishing worldwide and heading at this sector would mean attracting an increasing number of foreign tourists searching for authenticity, along with being competitive on a global scale.

Five key factors will be examined: Physical, human, financial, social and cultural capitals.

1.4.1 Physical capital

Physical capital represents the combination of material and exploitative resources of a territory, i.e. all the morphological, geographical and climatic characteristics³².

Adapting this definition to the world of beer, despite Italy, morphologically speaking, is suitable for the production of all raw materials, the creation of a totally Italian supply chain is still far.

More in detail, about 92% of malt and hops is imported from abroad, even if the domestic production is increasing.

For what concerns barley, the southern part of Italy is the ideal setting for the cultivation of this cereal, since it needs a temperate climate and a certain rainfall.

The first cultivation of barley dates back to 1964 and was limited to exactly the South, while in 2017 went into operation the first malthouse of North that produces today more than 100 tons of barley³³.

Although Italy is not self-sufficient yet, the domestic production of malt increased by about 20% from 2007 (Figure 1.9).

³¹ *Cooperation Offer*. (2018, May 20). European Commission.

³² De Pin, A. (2020). *Economia Agraria comparata*. Università Ca' Foscari, Venezia.

³³ Cricca, L. (2017, November 16). *Orzo a tutta birra*. Agronotizie.

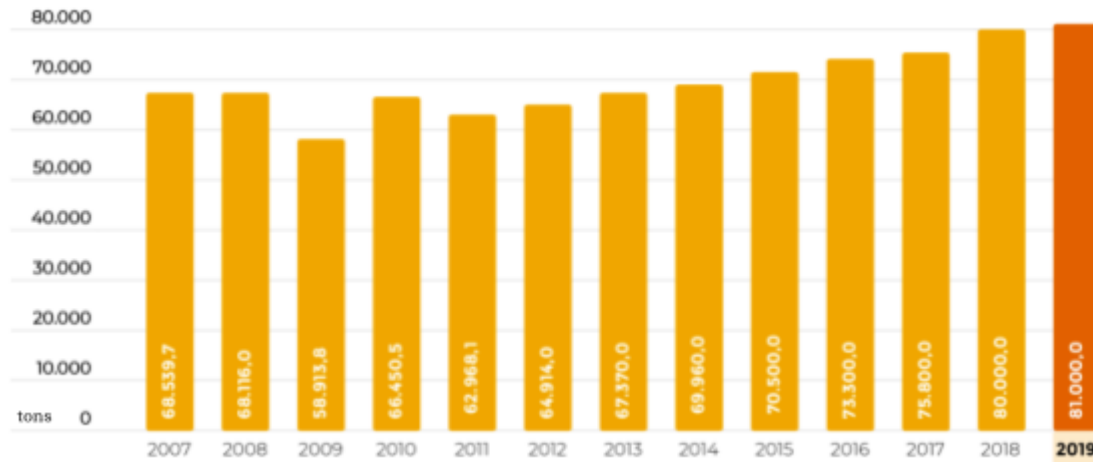


Figure 1.9 Italian production of malt (tons) 2007-2019.

The weakest link for the establishment of this totally national agricultural chain is certainly the cultivation of hops.

In 2011 started a research of the University of Tuscia with the implementation of a spermental hop garden that has led to the phenological characterization of wild and cultivated genotypes and the identification of varieties well adapted to Mediterranean climatic conditions.

To date, there are only 5 hectares destined for hop production and, in order to protect and incentivize it for italian entrepreneurs, a trade mark has been registered: *Luppoliti italiani*.

In 2016 for the first time the Ministry of Agriculture approved a law in which it gives funds to improve the production, transformation and commercialization of hops, i.e. the entire supply chain.

Last, but not least, water represents the major ingredient of each pint.

This resource is widely present on the entire peninsula, providing for all the characteristics to produce differentiated styles of beer: The area of Alps gives a very light water suitable for lagers, while hard water is perfect for ales.

Italian territory is therefore suitable for the cultivation of all the raw material needed to create a high-quality local beer and actually, Italy is moving towards this direction.

1.4.2 Human capital

Within the physical capital, a human capital operates³⁴. It can be assessed both quantitatively and qualitatively and refers to all demographic and socioeconomic qualities, knowledge, skills and capabilities of the population of an area.

Broadly speaking, the population density is one the highest on a European scale, second to Germany but ahead of France and Spain.

As regards education, the average level is medium-low when compared to the strongest European countries, but at a historical level Italy has always been focused on craftsmanship. Actually the quality of the brand of Made in Italy is globally recognized.

From a first overview there is therefore a good pool of human capital.

More than that, Italy is the third agricultural economy producing more than 12% of European turnover.

The agricultural and crafted agri-food sector is dominated by male entrepreneurs, but the female incidence is one of the highest in the EU (1/3 of entrepreneurs are women).

Returning to the beer world, the typical profile of the brewmaster is that of a man 40-year-old with higher or university education who has started business more or less recently, often coming from another professional activity. In the minority of cases, business activity is conducted individually, while it is more frequent the creation of real firms³⁵.

1.4.3 Financial capital

Financial capital refers to the set of financial resources available to economic actors.

A brewery industry would require three strong and economically independent levels of the supply chain: Farmers, brewers and distribution channels.

³⁴ De Pin, A. (2020). *Economia Agraria comparata*. Università Ca' Foscari, Venezia.

³⁵ AssoBirra. (2019). *Annual Report 2019*.

At the basis of the value chain of beer there is surely agriculture. A push on the cultivation of the raw material would lead to a more competitive final product, both on the economic perspective and on quality.

In this sense, European Union adopted rural development as the “second pillar” of the common agricultural policy (CAP). The goal of rural development is to foster sustainable social, economic and environmental standards.

To meet the target, there are funds available, named European agricultural fund for rural development (EAFRD), financed by EU and European single nations, that draft their own RDPs³⁶.

Three additional funds have been implemented in the LEADER program for 2014-2020, still for the reinforcement of agriculture³⁷:

- European Maritime and Fisheries Fund (EMFF), that is the counterpart of agricultural fund for the maritime sphere;
- European Regional Development Fund (ERDF), to reinforce the economic and social cohesion and to reduce the existing gap among regions;
- European Social Fund (ESF), to support employment rates through benefits destined to the creation of new business by for example women and young people and particularly there are incentives for small enterprises (small craft breweries are included).

The second fundamental part of the beer value chain is made by brewers. They need incentives on two levels: The right taxation rate and subsidies for the start of the business.

Next chapter will discuss more in depth the case of Italian taxation on beer, in particular on craft beers.

Actually, in Italy there are no particular funds destined to the start of a microbrewery activity, but the above mentioned European funds also include these businesses.

³⁶ *Rural development*. (2021). European Commission.

³⁷ *LEADER/CLLD*. (2021, March 19). European Commission.

A solid basis for the production of beer and its raw material implies very competitive final products: No particular incentives are needed if the good that is going to be sold is competitive both from a quality and price point of view.

The push of the first two levels would therefore result in a self-sufficient domestic market and in a strong potential for export all over the world.

1.4.4 Cultural capital

Cultural capital denotes the artistic and historical heritage and also popular traditions.

As explained in paragraph 1.2, the tradition of beer in Italy is not so rooted in the culture, but it is developing rapidly.

More than that, Italian expertise in wine production may be a very useful pool of knowledge for all the similarities that occur when approaching the world of beer.

The well-known brand of Made in Italy evokes the quality of products achieved thanks to the sense of taste and elegance that could represent a valuable potential for innovative and original performances also in the brewery sphere.

1.4.5 Social capital

The set of relations, common values and rules refers to the social capital.

Shared rules and values are interesting social phenomena that predispose to the creation of networks of collaboration and trust among individuals, that also significantly affect the economic behaviour of a country.

As the history of Italian craft beer teaches, the achievements of the brewery have been obtained thanks to the collaboration between the first enthusiasts that faced long trips to visit and better know the new market of 1996. They defined themselves “Compatriots, not competitors”³⁸ because together they worked for over 20 years to support and improve this sector.

³⁸ Giaccone, L., & Signoroni, E. (2017). *Il piacere della Birra: Viaggio nel mondo della bevanda più antica*. Slow Food Editore.

The other side of the coin implies that collaboration may be not only a cultural factor: The limited number of craft breweries requires more collaboration than an unbridled competition.

As an innovative tool for cooperation, Italy introduced in its production system the concept of *contratto di rete*³⁹ (network contract). They offer models of collaboration among enterprises by allowing them to maintain their independence and, at the same time, pursue shared goals. The result is an increase in their ability to innovate and hence in their market competitiveness.

As a consequence of this analysis, it can be concluded that Italian brewery industry is strongly developing because of its focus on consumers and to its link with the territory.

The consumption is then going to improve thanks to the new recipe of success: quality, innovation and Italianness.

³⁹ Camere di Commercio d'Italia. (2021). *Contratti di rete*. Registro Imprese.

Chapter 2

Market regulation

The previous chapter saw beer as a human creation that starts from natural resources shaped and mixed according to the brewer's capabilities and creativity.

Conversely, in this second chapter the focus will be on beer as a consumer good that, for this specific reason, is regulated by special laws also in the Italian jurisdiction.

Actually, Italian law allows the denomination of beer only to the product obtained from alcoholic fermentation with *saccharomyces carlsbergensis* or *saccharomyces cerevisiae* strains of a prepared must with malt, whether roasted or not, of barley or wheat or their mixtures and water, amaricated with hops or its derivatives or with both.⁴⁰

In particular, in addition to this first definition, it clarifies the distinction between industrial and craft beer, thanks to a very recent modification of the original law.

Italy is the only country in the world that has adopted the naming "craft beer", that represents a strong communication tool to consumers and also creates an identity for the product.

More than that, there are also specific rules for the label and the bottles in addition to obligations and prohibitions that conforms themselves to European directives but introducing also some information that protect the consumer even further, such for instance, the indication on the label of the head of the brewery⁴¹.

In terms of transparency and fairness of the information to consumers, Italy is one of the most advanced countries.

⁴⁰ L. n. 1354 of the August, the 8th, 1962, then modified with D.P.R. 30th June 1998, n.272

⁴¹ ObiArt & Unionbirrai. (2019, March). Report 2018. *Birra Artigianale, Filiera italiana e mercati*

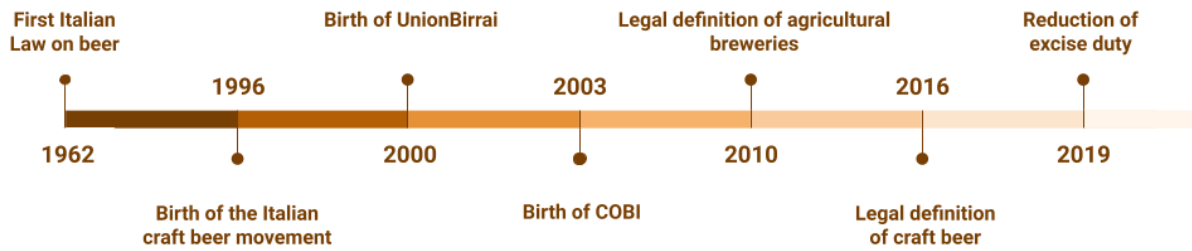


Figure 2.1 Milestones for the Italian craft beer.

2.1 Craft beer

The official concept of “craft beer” is very recent.

In fact, since the craft movement of this sector has been developing for about 20 years and it is still in evolution, Italian law did not provide for a clear definition that sets it apart from industrial products.

Exploiting this lack, industrial companies have been allowed to qualify their beers as “craft”, creating an unfair and unsustainable competition for real craft breweries that manufactured high quality products (“crafty” movement). The turning point occurred in 2016, when the Ministry of Agriculture defined specific criteria of quality and size for craft breweries, thanks also to the contribution of UnionBirrai⁴².

2.1.1 Craft brewery

As mentioned before, 2016 has been a crucial year for microbreweries.

In fact, with the new law they gained the denomination of “craft breweries” that industrial firms could not afford anymore.

⁴² Unionbirrai is a cultural association that promotes the culture of craft beer in Italy. It was born in 2000 and it became the meeting point for the needs of producers, distributors and final consumers (unionbirrai.it).

The law n. 154 of July, the 28th, 2016 fixed four fundamental points⁴³ with objective and subjective requirements:

- The brewery must be legally and economically independent, operating without the license on others' property rights;
- Production plants must be physically separated from others' equipments;
- Production must be below the threshold of 200,000 hectoliters, including the production on behalf of third parties;
- Beer must not be micro-filtered nor pasteurized.

In anycase, this law does not limit the potential of growth of microbreweries, since the threshold is very high compared to the actual production of even big companies. For example one of the major Italian craft breweries, Baladin, meets the demand of domestic and foreign markets with a production of around 25,000 hl⁴⁴.

There is still a lack in this law that does not provide for regulations on the quality or provenance of raw materials, allowing the use of substitutes.

Moreover, the regulatory gap expands to the absence of obligations on local raw materials and chemical additives.

The introduction of a legal article in the same law that pushes the research on Italian hop leaves the chance of a potential future official intervention also on this subject.

Actually the regulation on the origin of raw materials concerns only agricultural breweries⁴⁵, bounding them to use a certain quantity of self produced resources.

⁴³ Si definisce birra artigianale la birra prodotta da piccoli birrifici indipendenti e non sottoposta, durante la fase di produzione, a processi di pastorizzazione e di microfiltrazione. Ai fini del presente comma si intende per piccolo birrificio indipendente un birrificio che sia legalmente ed economicamente indipendente da qualsiasi altro birrificio, che utilizzi impianti fisicamente distinti da quelli di qualsiasi altro birrificio, che non operi sotto licenza di utilizzo dei diritti di proprietà immateriale altrui e la cui produzione annua non superi 200.000 ettolitri, includendo in questo quantitativo le quantità di birra prodotte per conto di terzi

⁴⁴ Turco, A. (2018, May 8). *I principali birrifici artigianali italiani per produzione e dimensioni.*

Cronache di Birra.

⁴⁵ "Birrificio agricolo" is a typical feature of Italian law

2.1.2 Agricultural brewery

Agricultural breweries are a kind of subset of craft breweries.

Actually, in the light of the recent legal definition of craft beer, many agricultural breweries are allowed to use the same denomination.

In 2010 a ministerial decree⁴⁶ recognized beer as a fully-fledged agricultural product and, consequently, the firm producing it as an agricultural brewery.

In fact, since they produce their malt and potentially hop, they are classified as agricultural activities, enjoying the fiscal benefits but always subject to the rules of fair competition.

Basically, this concept is based on the similarity with wine producers: A farmer cultivating the vines is allowed to produce and commercialize its wine with the same benefits.

The main difference between the two realities is that while craft producers are not subject to restrictions on raw materials, agricultural ones are obliged to use a minimum of 51% of self-produced ingredients or, at least, originated inside the consortium.

Before the official intervention of the government, many agricultural breweries came together with the purpose of preserving, promoting and valuing their activity. COBI⁴⁷ unified 80 producers that also create agricultural beer.

This association also registered the trademark of *Birragricola*, which imposes a minimum of 70% of primary products.

For what concerns taxation and benefits this law marks a clear distinction between the agricultural reality and all the rest.

In fact, taxation for who is labelled as an agricultural brewery is calculated on a cadastral basis, while the other producers pay taxes depending on their income. More than that, they have access to all the European funds for Rural Development Programs.

The law, together with COBI, has created new perspectives for the growth of both the farming industry and breweries.

⁴⁶ Repubblica Italiana. (2010). D.M. 212. In *Gazzetta Ufficiale*.

⁴⁷ *Consorzio Italiano di Produttori dell'Orzo e della Birra*

The farms and producers of barley are able to diversify their activities, creating a malthouse or a brewery, and therefore expanding their customer base and increasing their income.

2.1.3 Brewpub, beerfirm and homebrewery

In addition to the lack in the regulation of raw material, there is another important gap in the Italian legal sphere. To date, there does not exist a precise legal legislation for brewpubs, beerfirms and homebrewing.

The so-called “brewpub” are pubs that have set up small production plants and that sell their products exclusively there. The activity of beer production is therefore complemented by the restaurant business.

The high costs of production plants have resulted in the birth of a completely new system: Producing beer without equipment.

Beerfirms are then companies that exploit the machineries of bigger breweries under the payment of a rent to create their products.

The idea to take advantage from the entire brewery world undoubtedly has huge benefits, but there is also the dark side.

The main pro is the absolute freedom of considering the entire world as an available firm and therefore the capability to respond quickly to the changes of the market needs.

The cons challenge the property rights: To which extent could the final product be considered “own” when the production process can not be personally followed? In fact, the chief of the beerfirm put the initial idea but it is then implemented by someone else.

Essentially, the primary task of the beerfirm is marketing, while the clue point of production is delegated.

From the legal gap in the regulation of beerfirms, another important issue arises: This form of enterprise challenges the law 154/2016 according to which a beer can be denominated “craft” if and only if it meets the requirements for a craft brewery.

Consequently, beerfirms are allowed to make use of the denomination “craft beer” only if they delegate the production to a craft brewery⁴⁸.

More than that, there exists another legal technicality for which a craft enterprise⁴⁹ that produces craft beer can not use without further conditions the denomination of craft brewery. The latter needs to follow both the law on craftsmanship and on the more specific one for craft beer, that sets additional restrictions.

The number of beerfirms and brewpubs is following a positive trend, seeing a strong spike during the years around 2010 (Figure 2.2).

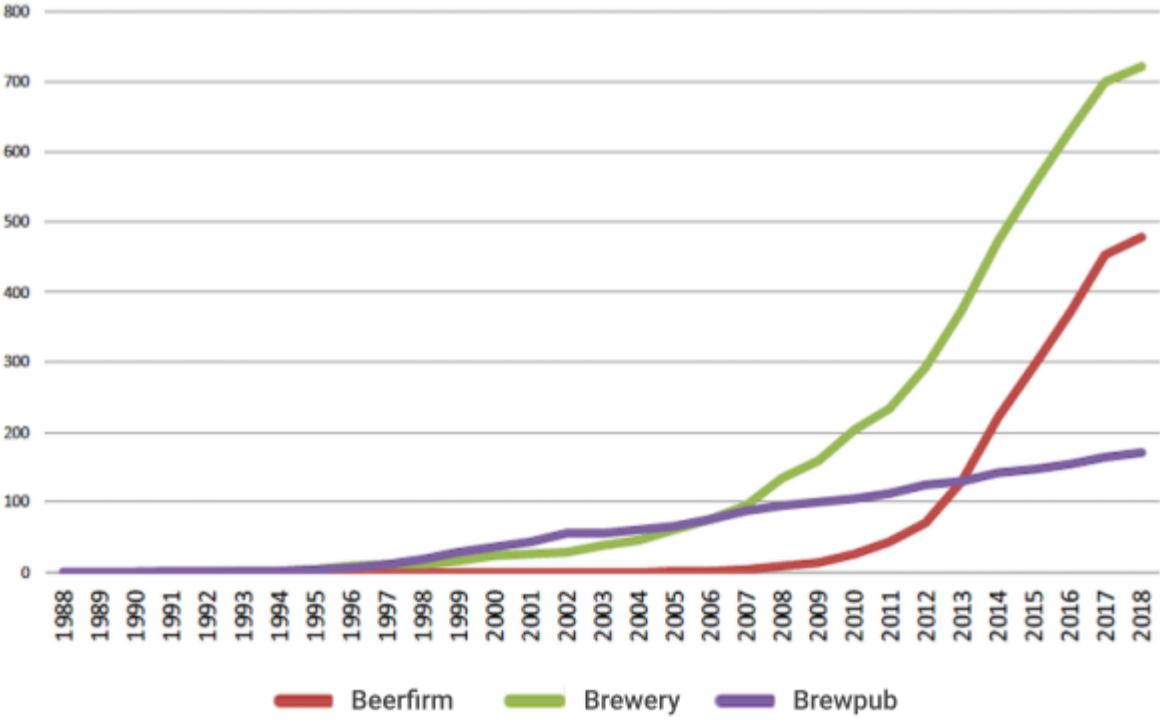


Figure 2.2 Number of beerfirms, brewpubs and breweries in Italy 1988-2018⁵⁰.

Another phenomenon that deserves attention regards the increasing number of craft beer fans that produce beer at the amateur level: Homebrewing.

The term homebrewing refers to all the practices aimed at producing beer at home, with different methods that spread from the simpler to more complicated ones.

⁴⁸ UnionBirrai. (2017, August 16). Corretto utilizzo del termine "Birrificio Artigianale".
⁴⁹ Law 443/1985 on craftsmanship
⁵⁰ *Microbirrifici in Italia al 31/12/2018*. (2019, January 13). microbirrifici.org.

Homebrewing is permitted by the article 34 comma 3 of law 504/1995 that states that a self-produced beer is allowed to be consumed by its own producer, its relatives and guests with the only limitation of no commercialization⁵¹. More than that, this production is tax-free, exactly like the regulation for the self-production of wine⁵².

From this follows that there are no particular restrictions on quantity.

2.2 Label and container

Before the commercialization of the product, the producing firm needs to worry about the information required by the law for the label of the packaging.

The requirements for the label are different depending on the country on which beer will be sold: Each country has a domestic regulation, European Union imposes rules on the import and export among member States and there are also specific standards for non-European countries.

Anyway, at whatever level (domestic, European and extra-European) the importer is responsible for the information to the consumer.

Regarding the commercialization inside the European Union, it is sufficient that the label is translated into the language of the country in which it will be sold, before placing it on the market.

For the Italian framework the relevant legislation is actually the Legislative Decree 231/2017 that implements the European regulation EU 1169/2011⁵³ regarding the labelling of beer and other food.

The essential information needed must be indelibly written, clearly visible and with a font at least of 2 mm⁵⁴ (figure 2.3):

⁵¹ Law 504/1995: *“E’ esente da accisa la birra prodotta da un privato e consumata dallo stesso produttore, dai suoi familiari e dai suoi ospiti, a condizione che non formi oggetto di alcuna attività di vendita”*.

⁵² Repubblica Italiana. (1995, December 14). *DECRETO LEGISLATIVO 26 ottobre 1995, n. 504*.

⁵³ *Normativa Etichette Birra: Le Informazioni Che Non Devono Mancare*. (2019, July 24). LabelDoo.

⁵⁴ AssoBirra. (2017). *Birra Italiana Guida Export 2017*.

1. Brand
2. Classification (*birra, birra speciale, birra leggera, birra doppio malto, birra analcolica*⁵⁵)
3. Net quantity
4. Alcohol content by volume (not mandatory for non-alcoholic beers)
5. List of ingredients and nutrition declaration (not mandatory for beer with an alcohol content by volume greater than 1.2%)
6. List of allergens
7. The quantity of the characterizing ingredient
8. Expiry date (month and year for beers with shelf-lives of 3/18 months, only year for +18 months and not mandatory for beers with alcohol content by volume greater than 10%)
9. Business name, food business address and producer's head office
10. Country of origin (mandatory only if its omission could create confusion to the final consumer).



Figure 2.3 Label of Hammer's brewery.
The main features are highlighted with numbers, corresponding to the abovementioned list⁵⁶.

The Italian classification of beer (point 2 of the label) is made according to two parameters: Degree Plato and alcoholic content by volume, where degree

⁵⁵ Beer, special beer, light beer, double malt beer, non-alcoholic beer

⁵⁶ Manago', A. (2015, June 10). *Come nasce un brand: il caso Hammer – Italian Craft Beer*. Cronache di Birra.

Plato refers to the quantity in grams of dry extract contained in 100g of beer must, always rounding up⁵⁷.

“Non-alcoholic beer” is reserved to products with Degree Plato between 3 and 8 and alcohol content by volume less than 1.2%, that differs from “light beer” since it is in the range of 5-10.5 of Degree Plato and has an alcohol content less than 3.5%.

The denomination “beer” refers only to the product presenting a Degree Plato of at least 10.5 and a minimum alcohol content of 3.5%.

“Special beer” and “double malt beer” are particular subcategories of beers having a Degree Plato respectively of at least 12.5 and 14.5.

When in addition to the beer base there are other ingredients like fruit, fruit juice or aromas the classification needs to be integrated with the name of the additive. Anyway, there is the prohibition to add foaming substances during any phase of the beer preparation, while for the clarification of the product there must be the use of mechanical means or harmless chemicals.

Outside the European reality, the label regulation changes from one country to another.

In order to create some common standards, the Italian association AssoBirra⁵⁸ has written different guides about export to each country, among which the focus is on the EU, USA and Australia and New Zealand, since there are particular trade relations with them.

Measuring containers refers to glass bottles or any other material with the same features of rigidity, stability and metrological characteristics of glass, i.e. there is a hermetic seal suitable for the transportation of fluids, have a rated capacity between 0.05 l and 5 l and have metrological characteristics that enable the precise measurement⁵⁹.

The rated capacity is the quantity indicated on the container at a temperature of 20° C.

⁵⁷AssoBirra. (2017). Birra Italiana Guida Export 2017.

⁵⁸ Assobirra is the Association of Brewers and Maltsters was born in 1907 to unify the companies that produce and commercialize beer in Italy (<https://assobirra.inc-press.com/>).

⁵⁹ Decree-Law 45/1976 as implementation of the European directive n. 75/106/CEE

Italy accepts containers of 0.25 l, 0.33 l, 0.50 l, 0.75 l, 1.00 l, 2.00 l, 3.00 l, 4.00 l, 5.00 l and also 0.35 l if imported from other countries, that corresponds to 12 oz. often commercialized in the USA.

2.3 Internationalization strategy and export

Internationalization is a strong way for firms to expand their market while reducing the business risk and assuring an economic flow.

To start the internationalization process, each company needs the right information, both from an internal and external perspective.

The SWOT analysis represents a useful tool to examine the entire environment during the first step of internationalization.

From the internal point of view a firm should conduct the analysis of its strengths and weaknesses and more broadly the characteristics of its products, in order to understand the feasible quantity and the right means to bring it to the market (for example the logistic and transportation means).

On the other hand, it turns out to be fundamental to root the firms in the external environment: The understanding of the potential opportunities and threats.

An insight of the external environment permits the adoption of the right strategy both financially for what concerns the scale of investments and to penetrate and maintain a foreign market.

After the choice of the target country, a further awareness of internal bureaucracy, organization and legal aspects is required for the success of the investment.

After the more cognitive and “theoretical” part, a company needs to practically prepare for the export, redacting catalogues and price lists translated into the final country language and the documents required to make goods exportable for its own country and importable for the final consumer.

The final step is to identify the right segment of potential clients, the means to reach them and the timing for the implementation of the strategy.

2.4 Good trades and Value-Added Tax (VAT)

A value-added tax (VAT) is a consumption tax placed on a product whenever value is added at each stage of the supply chain, from production to the point of sale⁶⁰.

It is calculated on the base of the average price of goods of the same category, adding the customs duties (except the VAT) and the ancillary costs (transportation, packaging and insurance)⁶¹.

Since the value of VAT is a domestic decision, the European goal is to directly impose common standards in each single country, due to the distorted competition that these differences could create (figure 2.4).

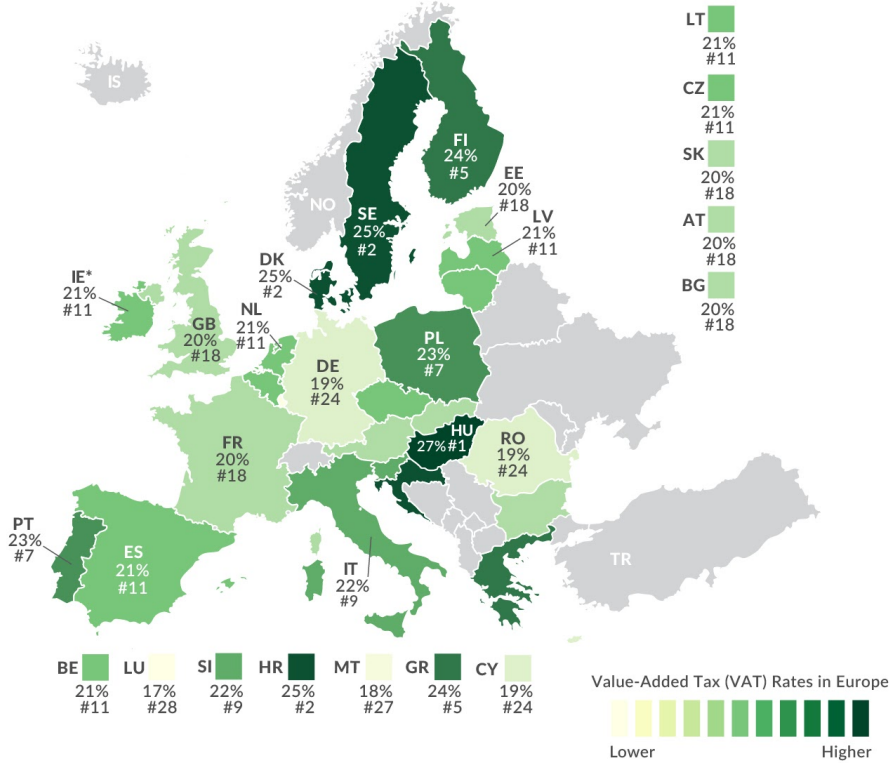


Figure 2.4 VAT Rates in EU and UK in 2021⁶².

⁶⁰ Kagan, J., & Barnier, B. (2021, February 18). *Value-Added Tax (VAT)*. Investopedia.
⁶¹ Pagano, R. (2015). *L'Iva negli scambi internazionali*. superEva.
⁶² Asen, E. (2021, January 7). *2021 VAT Rates in Europe*. Tax Foundation.

For what concerns the intra-EU trades that regards physical goods, there are four requirements to be met, listed in articles 38 and 41 of D.L. 331/93⁶³:

- Objective requirement. The exchange must regard movable goods;
- Subjective requirement. The exchange must occur between two economic actors belonging to two different countries, previously authorized and put in the list of VAT Information Exchange System (VIES);
- Definition of expensiveness. The operation needs to imply an expense for movable goods;
- Physical transfer of goods to be demonstrated through bills or checks.

In any case, all the intra-Community trades have to be recorded in the INTRASTAT list, i.e. the apparatus that provides for all the data regarding intra-European trades.

The only case in which the VAT exemption could be obtained is proving a extra-European trade through direct export, supply for non-resident exporters and triangular exchanges.

2.5 Excise duty

European Union gives directives on the minimum excise tax imposed on alcoholic beverages and tobacco, but each Community country has the freedom to choose its own excise starting from the European value. Actually, according to Directive 92/83/EEC and Directive 92/84/EEC this threshold for beer is fixed at 0.748 € per hl/degree Plato or 1.87 € per hl/degree alcohol (for a beer bottle of 330 ml with 5% abv, it results 0.03 €⁶⁴) as mentioned in the following table (Table 2.1).

⁶³ AssoBirra. (2017). Birra Italiana Guida Export 2017.

⁶⁴ $1.87 \text{ € hl} / \text{degree alcol} \times 5^\circ / 300 \text{ l} = 0.03 \text{ €}$

Excise product	Rated expressed per:	Minimum rate:
Spirits	Hectolitre of pure alcohol	EUR 550
Beer	Hectolitre per degree Plato	EUR 0.748
Wine	Hectolitre of product	EUR 0
Intermediate Products	Hectolitre of product	EUR 45

Table 2.1 Excise products and minimum rates⁶⁵.

Looking at figure 2.5, it appears clear that Nordic countries, Greece and Slovenia have in 2019 the highest value of excise duty (max. Finland with 0.60 €, min. Greece with 0.21 €). The medium range varies between the minimum of 0.08 in Polony and Hungary and the maximum of 0.13 € in the Netherlands. Spain, Romania and Germany impose the lowest excise tax, equalling the threshold decided by the EU (0.03 €).

⁶⁵ *Excise Duty on Alcohol*. (2021). European Commission.

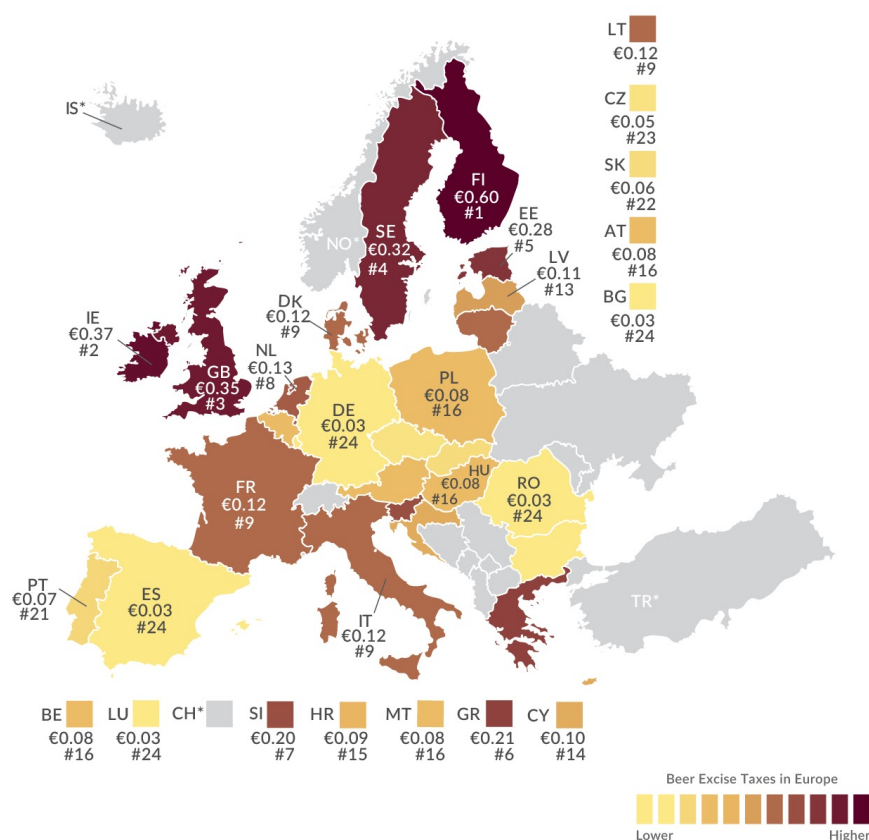


Figure 2.5 Beer Taxes in Europe, 2019. Excise duty per 330 ml beer bottle at 5% abv in Euros⁶⁶.

Looking at the value imposed by Italy, the predominance of wine over beer in the Italian culture and consequently on the entire framework appears clear: While for wine the adopted excise duty is the minimum, beer presents a significant tax burden (Table 2.2).

Excise product	Rated expressed per:	Minimum rate:
Spirits	Hectolitre of pure alcohol	EUR 1.035,52
Beer	Hectolitre per degree Plato	EUR 2,99
Wine	Hectolitre of product	EUR 0
Intermediate Products	Hectolitre of product	EUR 88,67

Table 2.2 Excise duty in Italy for alcoholic beverages⁶⁷.

⁶⁶ Asen, E. (2019, August 8). *Beer Taxes in Europe*. Tax Foundation.

⁶⁷ *Guida - Vendere vino e bevande alcoliche in Italia e all'estero - Aspetti fiscali e doganali*. (2019, October).

In particular, this tax in Italy is changing and adjusting with time, presumably because the beer sector is still in strong evolution: Between 2013 and 2015 it moved from 2.35 € to 3.04 € hl/degree Plato, showing an increment of about 30% (Figure 2.5).

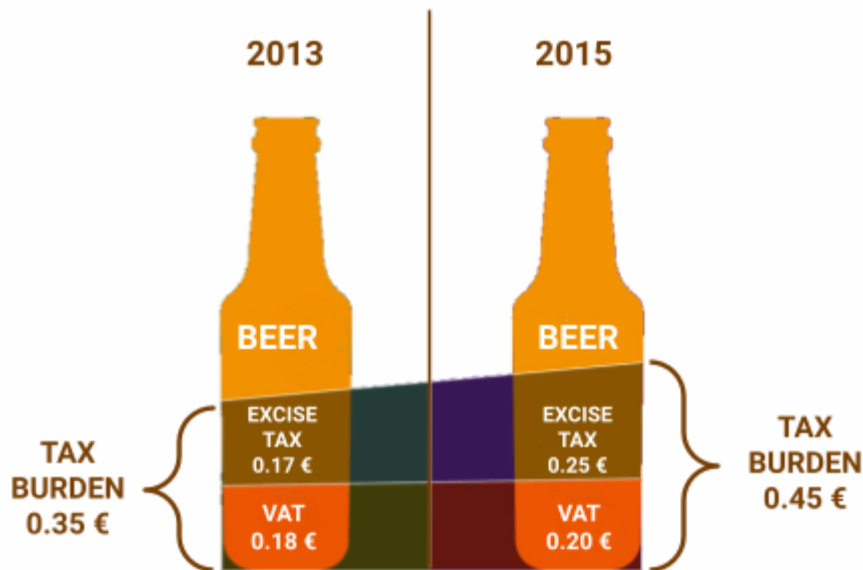


Figure 2.6 Total tax burden (VAT+Excise tax) on an Italian beer bottle of 66 cl. A comparison between 2013 and 2015⁶⁸.

In 2019 a Budget law partially corrected the increase, bringing back the value to 2.99 € hl/degree Plato. More than that, the Government introduced an incentive for craft breweries that do not exceed the threshold of 10,000 hl of beer production, reducing their excise tax of 40%.

In these regards, table 2.1 shows the evolution of the excise tax in Italy from 2013 to 2019 for a lager beer with degree Plato of 12°, taking into consideration also the introduction of the new law on craft breweries with low production quantities.

Since the excise duty is due to the producer, it does not weigh directly to the final consumer, but it strongly influences the final price for a good.

⁶⁸ MA LA BIRRA È VERAMENTE UCCISA DALL'ACCISA? (2013, October 11). Fermento Birra.

Year and Category	Excise tax (hl/degree Plato)	Excise tax per hl on lager beer (degree plato 12°)
2013 - Breweries	2.35 €	28.20 €
2015 - Breweries	3.04 €	36.48 €
2019 - Breweries	2.99 €	35.88 €
2019 - craft breweries with annual production < 10k hl (- 40 %)	1.75 €	21.52 €

Table 2.1 The evolution of excise tax in Italy (2013-2019) with the case of a typical lager beer.

2.6 The American case

When talking about craft beer, it is interesting to make a parallelism between the case of the USA where this concept is well rooted in the culture, and Italy, the young and promising actor of the international panorama.

The two dates conventionally chosen as the beginning of the movement are 1976 and 1996, respectively for the USA and for Italy.

In the middle of the '70 in America opened the first microbrewery of the nation⁶⁹: The transformation of the industry was encouraged by the willingness to go back near to pre-industrial production, rediscovering the identity and the peculiarities of the “local” that were threatened by the increasing standardization of the global economy.

In addition to the higher quality of craft production, craft brewers were able to evoke in the consumer a sense of belonging that linked individuals to their own community and territory in a form of new localism.

In other terms, the emerging predilection for what is diverse gave birth to a new consumer, more proactive and less passive, that even arrives to shape the industry starting new businesses.

⁶⁹ Turco, A. (2014, July 8). *Birra artigianale in Italia e USA: un confronto basato sui numeri*. Cronache di Birra.

The Italian case shows different features with respect to the American model, mainly for what concerns the elements that make microbreweries arose.

First of all, Italy did not have its own brewery tradition rather enjoyed from the influence of central European countries, as outlined in chapter 1.

The Craft Beer Revolution could be seen as the contamination between globalizing sociocultural changes and the local dimension that characterized Italy. “Glocalization” is then the “interpenetration of the global and the local resulting in unique outcomes in different geographic areas”⁷⁰.

Italian entrepreneurs exploited creativity and experience in the craft sector to start a new business, totally changing the concept of beer throughout the population.

The exponential increase in the number of active craft breweries in Italy and in the USA represents an interesting case (Figure 1.3; Figure 2.7).

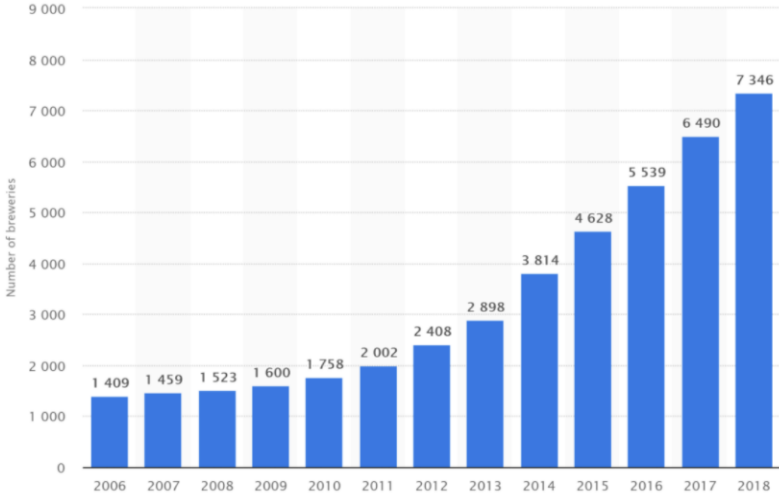


Figure 2.7 Number of American active breweries 2006-2018.⁷¹

Comparing the two countries and assuming an exclusively domestic market, in the context of a population of 328 millions for the USA versus 60 millions for Italy, the USA results to be 5.3 times bigger than Italy with more than 40% of active breweries in 2016⁷².

⁷⁰ Ritzer, G. (2007). *The globalization of nothing*. SAIS Review of International Affairs.

⁷¹ *Alcoholic Drinks Report, Beer*. (2019). Statista.

⁷² Population Ratio = $R_{POP}(2016) = 323\text{ M} / 60\text{ M} = 5.3$
 $\rightarrow N_{USA}(2016)_{th} = R_{POP}(2016) \times N_{ITA}(2016) = 5.3 \times 743 = 3,938$
 $N_{USA}(2016)_{real} = 5,539 \rightarrow +40\%$ of $N_{USA}(2016)_{th}$

From this result it can be deduced that American market gains an advantage over the Italian one either on the historical point of view and in terms of market dimension.

Another aspect that deserves attention is the growth rate (GR) of the two countries between 2006 and 2016: Italy exhibited an increase of almost 476% compared to 293% of America⁷³, i.e. 1.62 times more than the USA.

Concerning the legal aspect, Italian one has been widely outlined in the previous sections (2.1 and following), but it is interesting using those references to make the comparison with the USA.

The primary distinction that needs to be cleared is the definition of craft brewery.

While the main themes of independence and small dimensions appear in both Italian and American legislative systems, there are three important differences.

First of all, there are no conditions regarding the way in which beer has to be made (i.e. pasteurization and micro filtration).

Secondly, the threshold of production is set at the higher level of 6 million barrels (7 million hectoliters).

Finally, if for the Italian law a brewery can only be craft or not, the American one admits a 25% of ownership by a beverage alcohol industry that is not recognized in itself as a craft brewery⁷⁴.

The other aspect that differs is that while in Italy the regulation system is centralized at the State level, American brewers need to meet the requirements at a federal, state and local level.

After the introduction of “Small Brewer Reinvestment and Expanding Workforce Act” of 2015 (Small BREW Act), Federal standards require:

- \$3.50 per barrel (31.5 gallons per barrel → $\$3.50/31.5 \text{ gallons} = \0.11 per gallon) on the first 60,000 barrels for domestic brewers producing

⁷³ $GR_{USA} = (N_{USA}(2016) - N_{USA}(2006)) / N_{USA}(2006) = (5539 - 1409) / 1409 = 293\%$
 $GR_{ITA} = (N_{ITA}(2016) - N_{ITA}(2006)) / N_{ITA}(2006) = (743 - 129) / 129 = 476\%$
 $R = GR_{ITA} / GR_{USA} = 476\% / 293\% = 1.62$

⁷⁴ *Craft Beer Definition*. (2021). Brewers Association.

fewer than two million barrels annually (typical case for a craft brewery);

- \$16 per barrel (\$0.51 per gallon) on the first six million barrels for all other brewers and all beer importers; and
- \$18 per barrel (\$0.57 per gallon) rate for barreage over six million⁷⁵.

State taxes are different in all the 50 States and vary from the minimum of \$0.02 per gallon in Wyoming and the maximum of \$1.29 in Tennessee, as represented in figure 2.8.

In addition to state taxes, there exists further regulations and taxes at the local level (county, city, etc.).

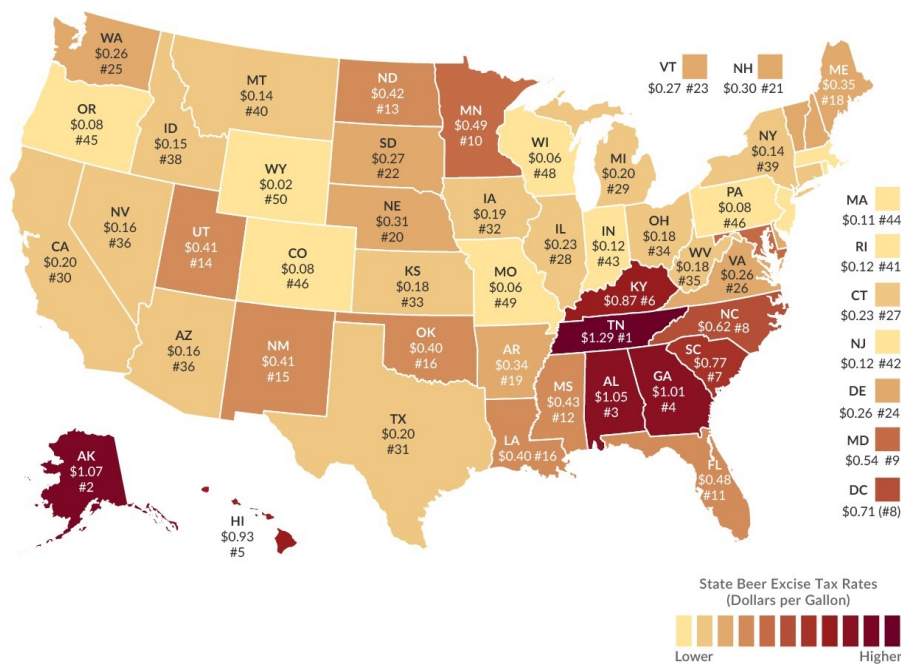


Figure 2.8 State beer excise tax rates (Dollar per gallon), 2019⁷⁶.

In the light of the previous considerations, Beer Institute defines taxes as “the most expensive ingredient of beer, costing more than than the labor and raw materials combined⁷⁷”, since they represent about 40 % of the final cost to consumers.

⁷⁵ Federal Excise Tax. (2020). Beer Institute.

⁷⁶ Cammenga, J. (2020, July 1). *How High are Beer Taxes in Your State?* Tax Foundation.

⁷⁷ Cammenga, J. (2020, July 1). *How High are Beer Taxes in Your State?* Tax Foundation.

2.7 The impact of taxation on the beer industry

Since the industry of beer has been increasing significantly over the last years, both in the USA and in Italy, many proposals for new laws have been made.

In this context, the aim of the next section is to study the impact of the implementation of such laws in the market, analysing the pros and the cons. In particular, for the USA is the case of the Small BREW Act in 2015 and Decree 138/2019 that reduces excise tax by 40 % for breweries producing less than 10,000 hl for Italy in 2019.

Before 2015, an American producer with a production threshold of 2 million barrels per year, had to pay \$7 per barrel on the first 60,000 barrels and then \$18 per barrel until 2M. Meanwhile, big producers (> 2M barrels/year) had a constant tax of \$18 per barrel⁷⁸.

With the introduction of the Small BREW Act, the due amount for small brewers (< 2M barrels/year) became \$3.50 per barrel for the first 60,000 barrels and \$16 until 2 million barrels.

The draft of this law came out in 2013 and in this regard, it is interesting to see exactly 2013 to 2014 as a turning point for the growth of the sector. In fact, some argue that the reduction in taxation incentivized novel small companies to enter the market, seeing new opportunities in the industry.

Actually, the goal of the law was to give the right consideration to the small realities that effectively dominated the sector and were largely demanded by consumers.

Figure 2.9 shows the trend of the market share of craft breweries from 2009 to 2018 using production quantity (million barrels on the left side of the y-axes) and percentage of the market share (right side of y-axes) by volume share and dollar share (→ %VolumeShare x Price).

⁷⁸ Armstrong, A. (2015, March 14). *Small BREW vs. Fair BEER*. Ohio Beer Counsel.

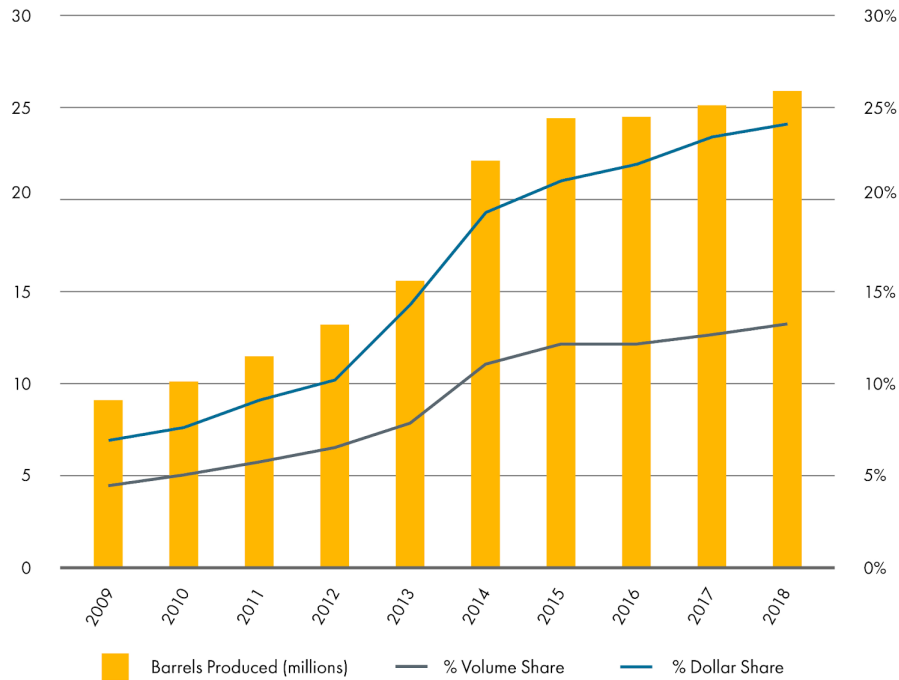


Figure 2.9 Craft Breweries-Increased market share⁷⁹.

Assuming a production of 15.6M barrels in 2013 and 22M barrels in 2014⁸⁰, the increment has been more than 40%, that equals the increment of volume share by percentage. During the same period, the number of active breweries, passed from 2,898 to 3,814 (Figure 2.7).

Studying the opposite case, i.e. when excise taxes increase, the price of beer also increases and, as a consequence, the quantity sold decreases.

When quantity demanded goes down, labor needed decreases, resulting in a loss of jobs.

That is the case of 1991 when taxes on beer doubled (from \$9 to \$18 per barrel) and more than 60 thousand people lost their jobs⁸¹.

Anyway, the tax increment should be aimed to decrease the social costs like alcohol related issues. With a cost/benefit analysis in this specific case, disadvantages have been greater than the benefits of diminishing alcohol

⁷⁹ Cameron, K. (2019, September 25). *Is it time to sell your microbrewery? How to understand your value.* Wipfli.

⁸⁰ *Craft Beer Definition.* (2021). Brewers Association.

⁸¹ Brinner. (2003).

abuse: In response to a small reduction in alcohol abuse, jobs losses have been more impacting⁸².

On the contrary, as mentioned in figure 2.10, after the introduction of the Small BREW Act the number of employees in the craft beer context increased by a rate of about 16.2% on average annually from 2016 to 2021⁸³. At the same time, the number of employees in big companies (> 500 employees) decreased compared to the strong increment in small realities (Figure 2.11).

This confirms the incentive to craft breweries to the exclusion of the giants of the sector that still maintain the same tax burden, previously established in 1991.

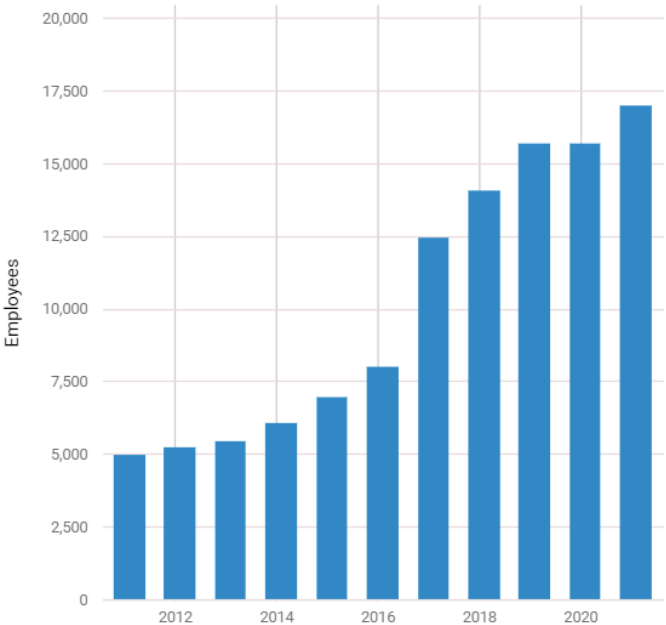


Figure 2.10 Craft Beer Production in the US Annualized Employment Growth 2016–2021⁸⁴.

⁸² Beer Institute. (2014). BEER TAX FACTS: THE ECONOMIC AND SOCIETAL IMPACTS OF STATE AND FEDERAL TAXES ON BEER [A report for government officials, journalists and other opinion leaders.]. In *BEER TAX FACTS*. Beer Institute.

⁸³ *Craft Beer Production in the US - Employment Statistics 2005–2027*. (2021, Aprile 9). IBISWorld.

⁸⁴ *Craft Beer Production in the US - Employment Statistics 2005–2027*. (2021, Aprile 9). IBISWorld.

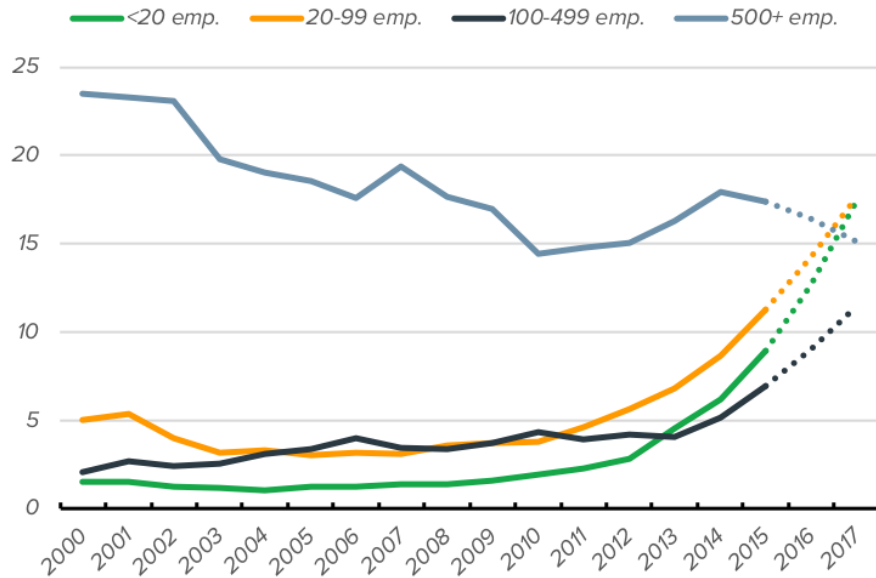


Figure 2.11 Employment at breweries 2000-2015 with the estimates for 2017 by firm size (in thousand)⁸⁵.

The Italian situation is totally new in this sense: The incentive to small breweries arrived only in 2019 and the effects on the economy are not clear yet, even because of the pandemic crisis that afflicted the world of 2020.

But, in this specific case, the current situation of emergency can only confirm the usual consumer behaviour: As income decreases, price elasticity tends to increase and vice versa.

The goal for a producer would therefore be the reduction of inflation of their products, always considering that their power in a crisis condition decreases.

To start the analysis, it assumed an elastic demand for beer (price elasticity about 1), since an increment in price brings a decrease in quantity demanded⁸⁶ due to the “young culture” of this product in Italy.

The second assumption to be made regards the change of demand as a consequence of an increase in the excise tax: In this case, a variation of $\Delta ET_{2014} = +0.10 \text{ €}/l$ on the excise tax leads to a $\Delta Q_{2014} = -5\%$ of the total quantity sold. Due to this decline in quantity sold, GDP_{2014} falls by 30 million

⁸⁵ Hathaway, I. (2018, January 25). *CRAFT BREWERIES BUCK THE MONOPOLY TREND*.

⁸⁶ *Elasticità della domanda di vino: dati per nazione ed evoluzione nel tempo – studio AAWE*. (2009, February 11). *I Numeri del Vino*.

Euros and consequently, the loss of employment corresponds to about $\Delta E_{2014} = -2400$ work units⁸⁷.

In 2019 the excise duty amounted to 2.99 €/hl/degree Plato that for a typical lager beer corresponds to $ET_{2019} = 0.36$ €/l (Table 2.1).

With the reduction of 40% in the excise tax for craft breweries after the introduction of the new law in the same year, the resulting amount was $ET_{2019craft} = 0.21$ €/l.

By implication, the variation equals -0.15 €/l ($\rightarrow \Delta ET_{2019} = ET_{2019craft} - ET_{2019} = -0.15$ €/l).

Recalling the second assumption and applying it to all the market, ΔQ_{2019} would result⁸⁸:

$$\begin{aligned} \Delta ET_{2014} : \Delta Q^*_{2014} &= \Delta ET_{2019} : \Delta Q_{2019} \\ \rightarrow \Delta Q_{2019} &= \frac{(-5\%) \times (-0.15 \text{ €/l})}{+0.10 \text{ €/l}} = +7.5\% \end{aligned}$$

The quantity demanded would then increase by 7.5% and that reflects on the GDP by the amount

$$\begin{aligned} \Delta ET_{2014} : GDP_{2014} &= \Delta ET_{2019} : GDP_{2019} \\ \rightarrow GDP_{2019} &= \frac{(-30M \text{ €}) \times (-0.15 \text{ €/l})}{+0.10 \text{ €/l}} = +45 \text{ M€} \end{aligned}$$

Specifically for the craft sector that in the Italian economy represents the 3.1% of the entire beer production, the impact on GDP would be:

$$GDP_{2019craft} = GDP_{2019} \times 3.1\% = +1.395 \text{ M€}$$

The direct, indirect and induced employment for the beer industry would then result:

$$\begin{aligned} \Delta ET_{2014} : \Delta E_{2014} &= \Delta ET_{2019} : \Delta E_{2019} \\ \rightarrow \Delta E_{2019} &= \frac{(-2,400) \times (-0.15 \text{ €/l})}{(+0.10 \text{ €/l})} = +3,600 \text{ work units} \end{aligned}$$

Since the employment registered in 2019 has been:

$E_{2019} = 5,700$ direct employment for the entire beer sector

⁸⁷ De Novellis, F., Menozzi, A., & Signorini, S. (2014, June). *IL SETTORE DELLA BIRRA CARATTERISTICHE DELLA DOMANDA E DELL'OFFERTA, EFFETTI DELLA TASSAZIONE*. REF Ricerche. , pg. 5

⁸⁸ All the data used comes from AssoBirra. (2019). *Annual Report 2019*.

$E_{2019craft} = 3,100$ work units for the craft beer sector (beerfirms included)

And then:

$$E_{2019} : E_{2019craft} = \Delta E_{2019} : \Delta E_{2019craft}$$
$$\rightarrow \Delta E_{2019craft} = \frac{3,600 \times 3,100}{5,700} = +1,958 \text{ work units}$$

Considering that there are 3.7 employees per brewery on average (the current number of active breweries is 841), there would be about 529 new companies, beerfirms included.

Considering all this data, there are mainly two observations that could be deduced.

First, the craft beer sector is showing a “natural” increase, thanks also to the changes in the consumer behaviour.

In a situation where the demand for craft is growing (from 2014 to 2017 the increase has been +200% on revenues and +350% on volume production in Italy), it would be fundamental to push towards this direction.

In fact, in addition to the growth due to the industry trend, the economic policies introduced by the government impacted significantly.

According to the previous calculations and to the two cases analyzed, it appears clear a correlation between the tendency of the market and the value of taxation: A reduction in the excise duty corresponded to an increase both in the GDP and in the employment rate and vice versa.

The importance of a fair excise tax becomes evident even when talking about social costs, since a wrong regulation would push towards overconsumption.

Over the past years, the competition with the giants of the beer industry has been unequal: While with high production quantities it is easy to exploit an economy of scale, the higher production costs and smaller quantities produced have limited the development of the craft sector.

Given the dominant presence on the craft market of small realities, an economic policy that supports them would reflect in future benefits on multiple perspectives, encouraging a production chain that is creating significant value for the Italian economy.

Chapter 3

Market analysis

Over the past 20 years, the market has changed a lot and in particular craft beer is moving toward maturity, even if with some difficulties.

The restaurant and catering sector has not totally received the potential of beer, both in the matching with food and in its preparation, and wine shops have ceased to play the central role for the market of microbreweries, even if they have been the key actors for the construction of their reputation.

It tooks many years for craft beer to land on those places notoriously born for beer, such as pubs.

In this context, the number of beer shops often with taprooms annexed has skyrocketed. They usually are basic spaces reflecting the lightness of a beverage that can not be locked up in the appearance that distinguishes it from the wine world. In fact, its trump card is surely the concepts of simpleness and easiness of use, that allow it to reach a wide range of consumers.

While in the previous chapters the focus has been on the evolution of the sector in historical and successively in legal terms, now the attention is concerning the concrete numbers that characterize the current market, therefore adopting an economic point of view.

Starting from the European situation, the attention will be centered on the Italian scenario, to proceed then more in depth with the craft beer industry, through the tools provided by some marketing strategies, such as the SWOT analysis and the Canvas business model.

A particular insight is going to be reserved to the fundamental role of the pub, that represents the springboard for a product that actually forms an integral part of a developing industry and that brings added value to the entire Italian economy.

3.1 The role of pubs

Fundamental for the propagation of the culture of beer have surely been pubs.

Initially born in the UK in the XVI century, pubs became popular only during the Eighties in Italy.

As a phenomenon relatively young for the Italian culture, they represented the first connection with the local population accustomed to consume wine in the typical “*osteria*”⁸⁹.

Moreover, independent pubs have been the key to escape from the mechanisms of distributors that reigned for years and still exist, paving the way for the new era of craft beers.

An independent pub owns its system for dispensing beer and it is therefore free to choose the products to propose to its customers.

This decision requires highly qualified labor: In addition to the basis of tasting, it is necessary the knowledge of the sector, of breweries, of clients and the ability to create a matching culinary offer in order to give a whole experience.

The advantages will be multiple.

Firstly, the creation of a segment able to appreciate the offer, that comes from education of the client through tasting and trust relationships with the staff of the pub.

Secondly, recreational places in the society contribute to create a sense of belonging that enhances the community and, in addition, links individuals around a topic with cultural aspects.

If the percentage of public restaurants selling craft beers would increase, the entire sector would benefit: In Italy there are 150,000 bars and 170,000 restaurants and if 1/10 would consume one keg per week, the production would double⁹⁰.

⁸⁹ Typical Italian taverns

⁹⁰ Giaccone, L., & Signoroni, E. (2017). *Il piacere della Birra: Viaggio nel mondo della bevanda più antica*. Slow Food Editore.

3.2 Beer industry through numbers

In order to understand concretely the industry of beer, it is interesting to conduct an overview with some significant numbers.

The following analysis will look at the industry before from the perspective of Europe and subsequently with an Italian focus.

3.2.1 European scenario

The first interesting parameter to look at is the share of national production (in this case it is referred to 2018) for microbreweries in Europe in relation to the number of active industrial and micro breweries.

The graph (Figure 3.1) has been generated using the data regarding the number of active breweries on national territory of 14 European countries based on different official reports⁹¹.

As in figure 3.1 Italy holds the third place in these terms with a production (9th absolute place in E.U.) of 16 million of hl compared to the 4.5 million of hl produced by Sweden, which occupies the first place.

Even if the market share represented by the production of microbreweries is still low, Italy is one of the countries with the highest percentage at a European level. In countries with strong beer traditions, like for instance Germany, only 0.3% of the entire production is represented by microbreweries. Conversely, Italy, which is one of the youngest actors in this panorama, relies on the microbreweries production for 3%, 10 times more than Germany.

Italy has always given importance to craftsmanship in all the different industries, in particular for what concerns food.

In fact, Italian culture maintains the preference for self produced products, where also the industrial dimension keeps on being linked to a more “natural” and traditional approach.

Beer is acting exactly according to these patterns.

⁹¹ *Brewers of Europe*. (2021).

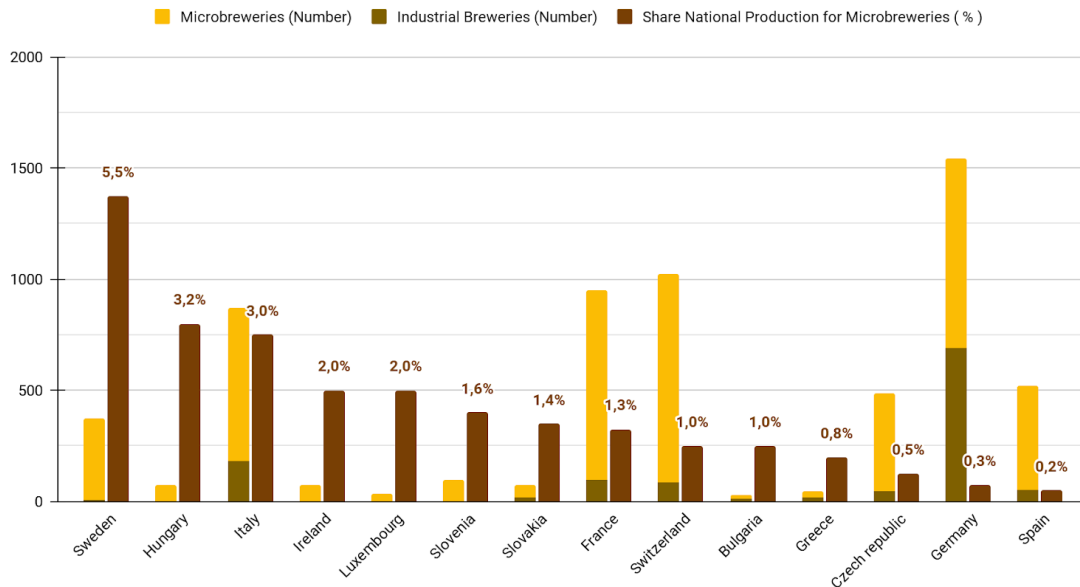


Figure 3.1 Share of national production for microbreweries in Europe in relation to the number of active industrial and micro breweries.

In terms of production European Union is the second largest producer (400.2 million of hl), after China and before the United States, nearly doubling their quantities (226 million of hl)⁹².

There are strong disparities among European countries in the amount of beer produced and consumed, mainly because, again, the tradition of beer is more popular in certain areas rather than others.

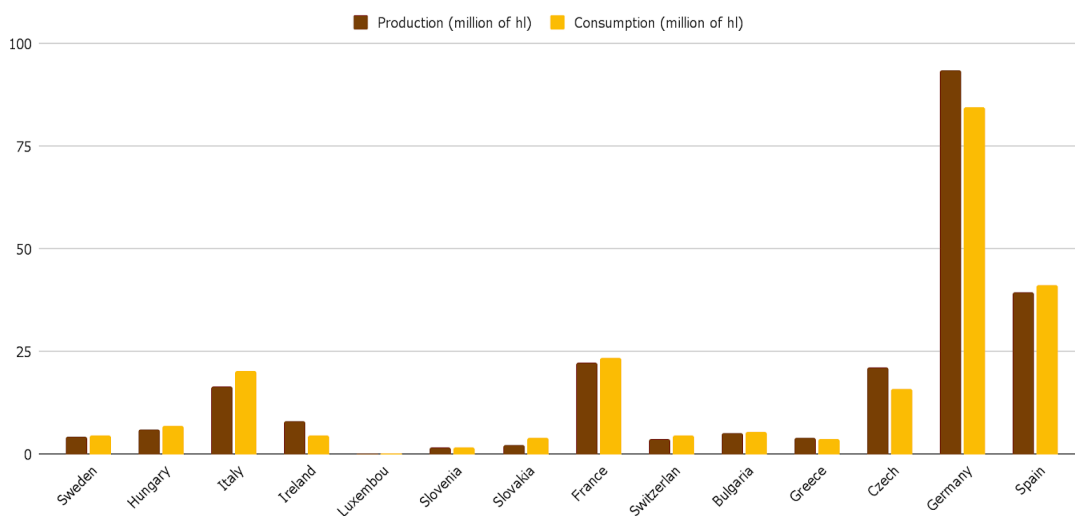


Figure 3.2 Comparison between production and consumption in E.U.

⁹² UnionBirrai, 2017, pg.1

Germany is at the top with a production that exceeds the consumption, while Italy occupies the fourth place, but the quantity produced is less than the consumed one (figure 3.2).

Talking about the level of consumption in these two countries the difference appears huge: Germany drinks 3 times the quantity of Italy, measured as liters per capita⁹³.

In this sense, the percentages of import and export would explain even better the trend of the market (figures 3.3 and 3.4).

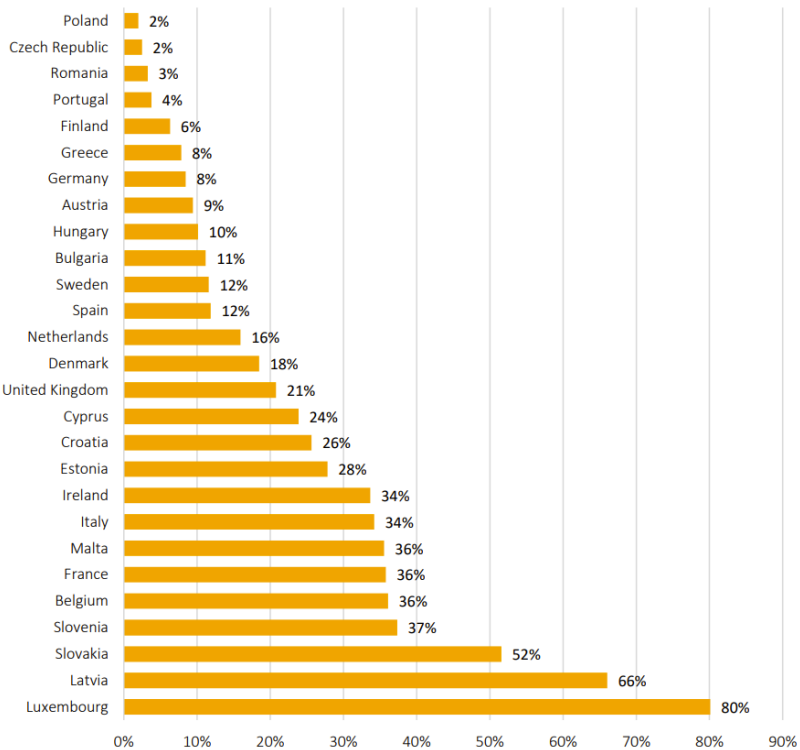


Figure 3.3 Imports 2018 in E.U. (as % of total consumption)⁹⁴.

⁹³ Europe Economics & The Brewers of Europe. (2020, March). EU Report 2020. *The contribution made by beer to the European economy.*

⁹⁴ Europe Economics & The Brewers of Europe. (2020, March). EU Report 2020. *The contribution made by beer to the European economy.*

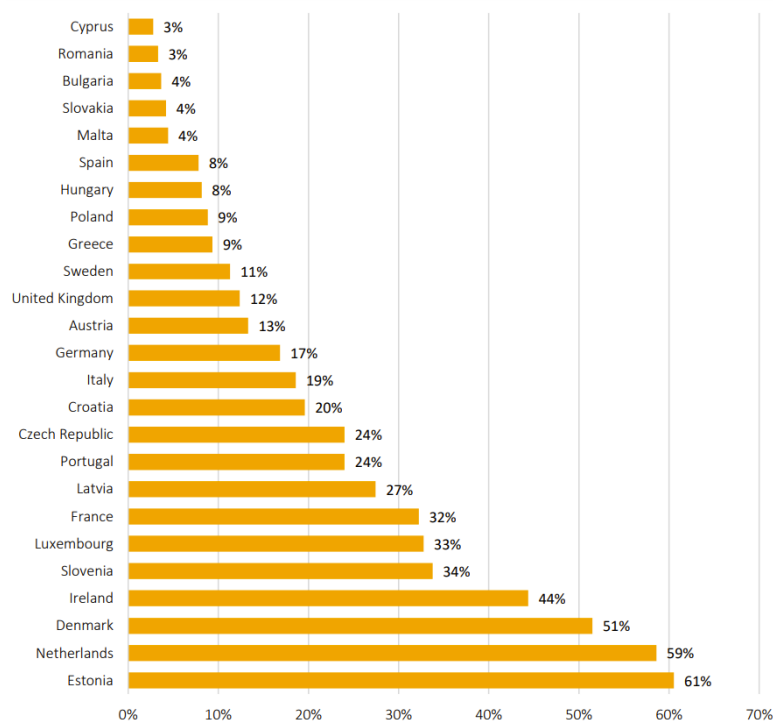


Figure 3.4 Exports 2018 in E.U. (as % of total production)⁹⁵.

In fact, in the context of export the percentages of Germany and Italy are quite similar (17% for Germany and 19% for Italy), but the most significant data regards import. While Italy keeps on importing high quantities (around 34%), Germany relies mainly on self production, importing less than one tenth of what it consumes.

As a consequence, German employment rate in the beer industry is the highest in Europe, with more than 28 thousand employees.

⁹⁵ Europe Economics & The Brewers of Europe. (2020, March). EU Report 2020. *The contribution made by beer to the European economy.*

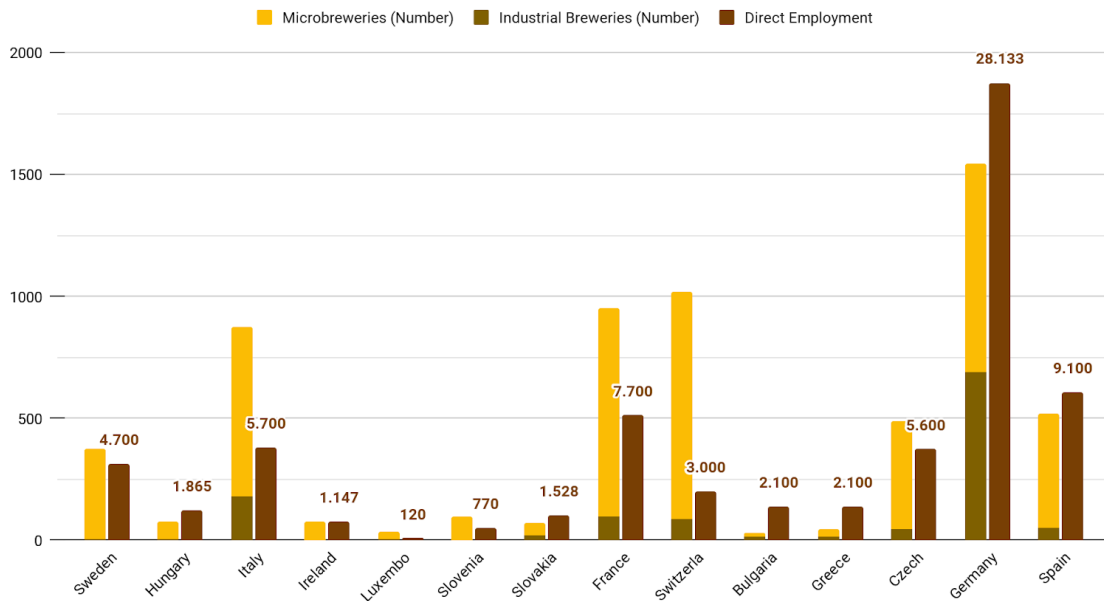


Figure 3.5 Direct employment in the beer industry compared to the number of active breweries in E.U.

Another interesting factor to consider is the composition of the economy as pools for jobs, i.e. the percentual impact that each industry has on the employment of the entire economy (Figure 3.5).

At European level, the brewery industry contributes with 6% of people employed in this sector, a percentage that slightly decreases in Italy (4% as in figure 3.7).

Considering that in Italy for 100 employees, 4 are in the beer industry, this means that 24 new jobs are generated for only one in the beer industry.

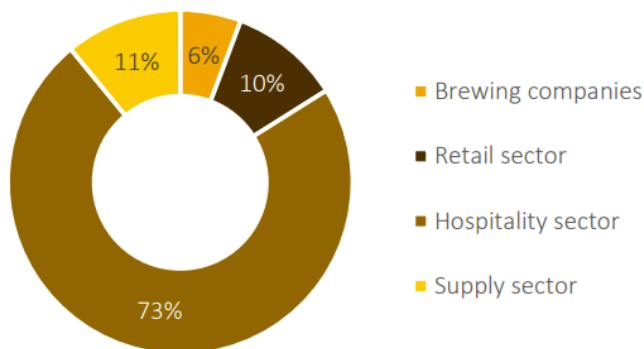


Figure 3.6 Percentual European contribution to employment impact by sector in 2018⁹⁶.

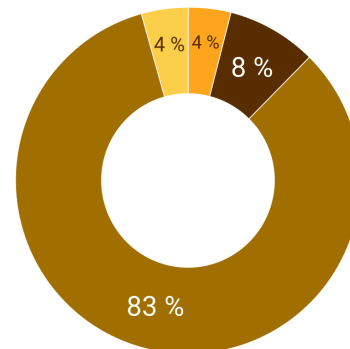


Figure 3.7 Percentual Italian contribution to employment impact by sector in 2018.

⁹⁶ Europe Economics & The Brewers of Europe. (2020, March). EU Report 2020. *The contribution made by beer to the European economy*, pg 13

At European level when considering indirect and induced employment in the beer sector, the number of work units increases up to 2.3 million people, with 135 thousand people directly employed (Figure 3.6), it is about 1% of the entire employee population in the EU (about 230 million).

Value added and government revenues related to beer sales showed an increment of about 7% from 2015 and 2018⁹⁷.

In the context of a positive trend from both the production and consumption sides, total spending reached the 117 billion Euros in 2018 (+3% with respect to 2014)⁹⁸.

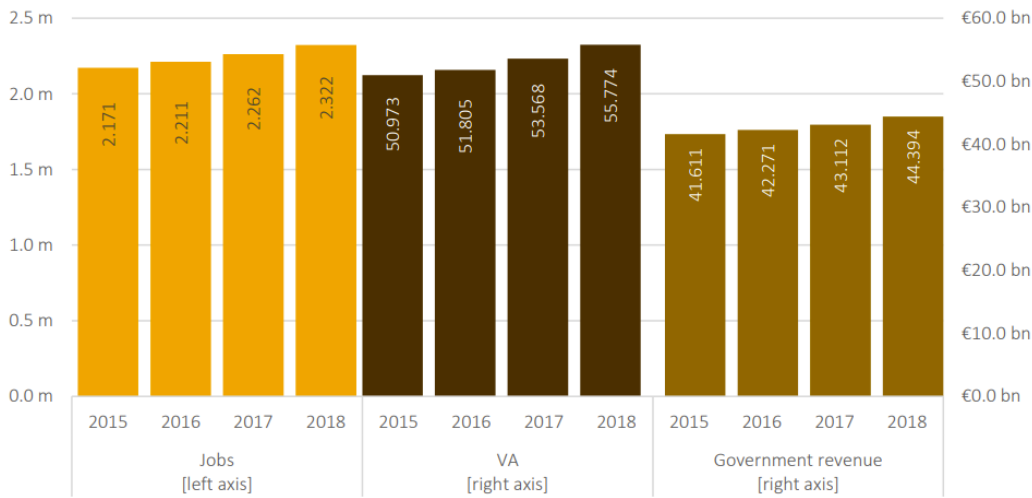


Figure 3.8 Main indicators of EU beer impacts, 2015-2018⁹⁹.

3.2.2 Italian scenario

Italy in 2019 has recorded all time highs, thanks to the changes in the consumer behaviours of Italian people. The increasing preference for beer is leading the entire supply chain to a well structured framework that brings significant value to the entire economy.

The natural trend of the industry in fact shows a constant escalation, both in domestic terms of production, consumption, import and export, but also in the European ranking, where now Italy is placed in the top ten from many perspectives (Table 3.1).

⁹⁷ Europe Economics & The Brewers of Europe, 2020, pg. 17
⁹⁸ Europe Economics & The Brewers of Europe, 2020, pg. 16
⁹⁹ Europe Economics & The Brewers of Europe, 2020, pg. 17

Italy in the EU

5 ° place	on brewers number
9 ° place	on production volume
12 ° place	on total consumption
27 ° place	on pro capita consumption

Table 3.1 The position of Italy in the European Union¹⁰⁰.

The main indicator of the change in consumer preferences is the trend of per capita consumption of beer: From an average of 29.4 l in 2008, in 2019 the threshold has shifted till 34.6 l per capita, keeping Italy still far from the European standards but with room for improvement in the medium run.

As a consequence of an increase in demand, production in percentage terms has exceeded the 40% in the last 20 years (as in figure 3.9), from a production of 12.1M of hl in 1999 to 17.2M of hl in 2019), placing Italy at the 9th position by production volume.

However, domestic production is not sufficient to meet all the demand and this reflects in the increase of 20% in the quantity imported in 10 years.

Anyway, the improvement of the reputation of Italy throughout Europe in beer terms, brought also an increment in the quantity exported, which doubled from 2009 to 2019.

The positive trend of demand and consumption has also impacted on employment, which has recorded 144 thousand workers (considering direct, indirect and induced employment) with an increase of 3300 work units in 2019¹⁰¹.

¹⁰⁰ ObiArt & Unionbirrai, 2019, pg. 1

¹⁰¹ AssoBirra. (2019). *Annual Report 2019*, pg. 26

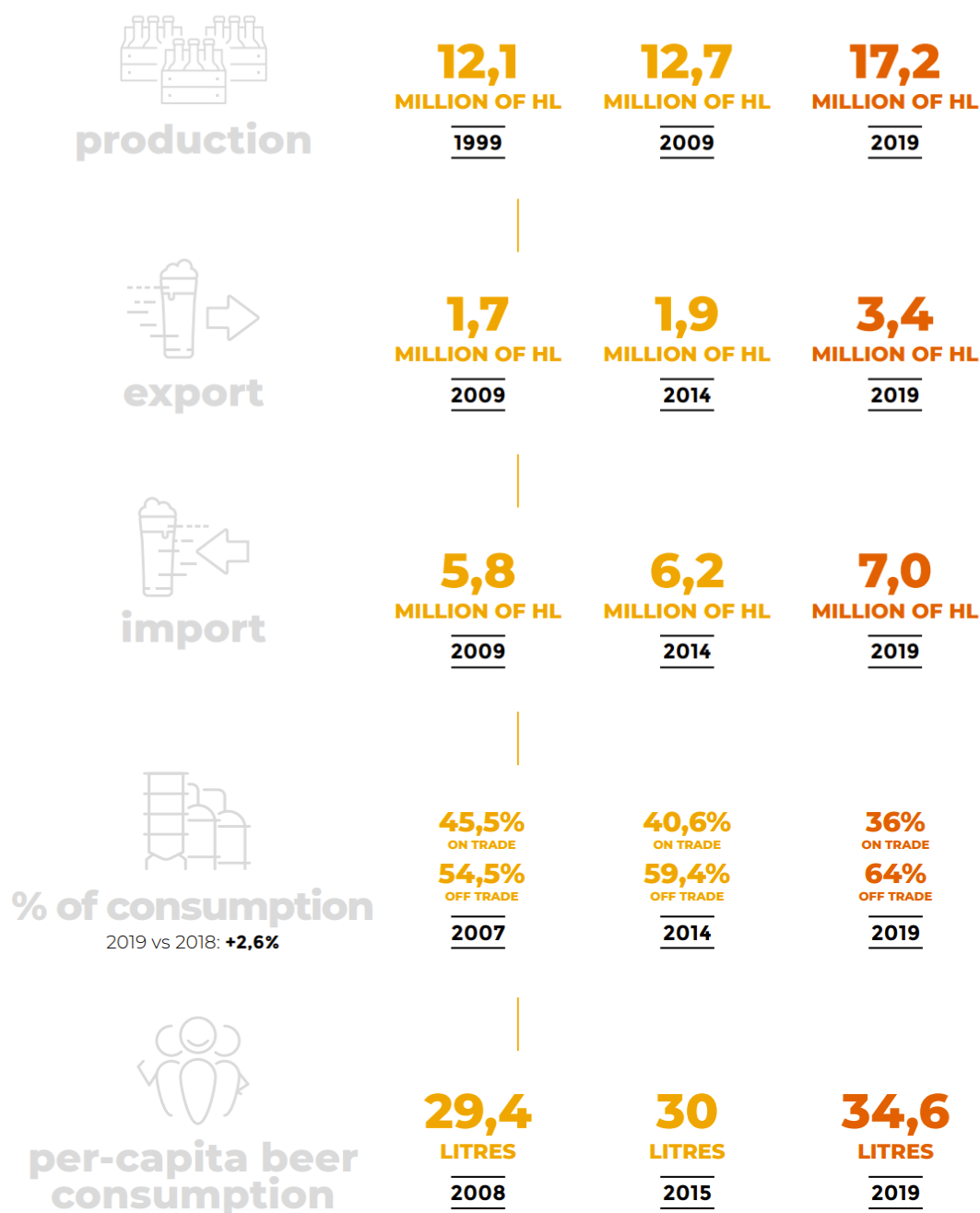


Figure 3.9 Trend of production, export, import, % of consumption and per capita beer consumption¹⁰².

Another parameter of this analysis that marks the variation of the consumer attitude towards beer is the change in the way to purchase and in consumption.

¹⁰² AssoBirra. (2019). *Annual Report 2019*, pg. 77

In fact, while in 2007 the 54.5% of purchases were off-trade and the 45.5% were on-trade, in 2019 the percentages have been inverted, relying mostly on off-trade¹⁰³ (36% on-trade compared to 64% off-trade, figure 3.9).

In 2017 large scale distribution generated 1.3 million Euros with 689 litres sold. 87% of quantities sold regarded industrial beers that, with an average of 1.65 €/l resulted in 992.5 million Euros.

The other 13% was splitted between special industrial beers, crafty¹⁰⁴ and craft products. While industrial special beers counted again for the major part, the main competition is between crafty and craft: The income achieved by the craft segment is greater with the half quantity sold.

1300 M€ Revenues	689 MI Volume sold		
<p>INDUSTRIAL 992,5 M€ - 76.6% revenues 600.2 MI - 87.1% volume 1.65 €/l</p> <p>Cheap (8.5% rev - 10.7% vol) Standard (58.6% rev - 62.0% vol) Premium (32.8% rev - 27.2 vol)</p>	<p>SPECIALS</p> <div style="border: 1px solid #808000; padding: 5px; margin-bottom: 5px;"> <p>SPECIALS (others) 283.6 M€ - 21.8% revenues 82 MI - 11.9% volume 3.46 €/l</p> </div> <div style="background-color: #808000; color: white; padding: 2px; margin-bottom: 5px;"> <p>SPECIALS (craft)</p> </div> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #f0e68c; padding: 5px;"> <p>CRAFTY 15 M€ - 1.6% rev 4.5 MI - 0.7% vol 3.36 €/l</p> </td> <td style="background-color: #f0e68c; padding: 5px;"> <p>CRAFT 17.6 M€ - 1.4 % rev 2.7 MI - 0.4% vol 6.44 €/l</p> </td> </tr> </table>	<p>CRAFTY 15 M€ - 1.6% rev 4.5 MI - 0.7% vol 3.36 €/l</p>	<p>CRAFT 17.6 M€ - 1.4 % rev 2.7 MI - 0.4% vol 6.44 €/l</p>
<p>CRAFTY 15 M€ - 1.6% rev 4.5 MI - 0.7% vol 3.36 €/l</p>	<p>CRAFT 17.6 M€ - 1.4 % rev 2.7 MI - 0.4% vol 6.44 €/l</p>		

Table 3.2 Total off-trade beer purchases in 2017¹⁰⁵.

From the consumption perspective, market segmentation has changed (table 3.3).

¹⁰³ Off-trade means large scale distribution, while on-trade refers to Horeca
¹⁰⁴ The term “crafty” refers to industrial beers that imitate the philosophy of craft products
¹⁰⁵ ObiArt & Unionbirrai, 2019, pg. 11

Tipi di birra <i>Kinds of beer</i>	2014	2015	2016	2017	2018	2019
Low - non Alcoholic	2,58	2,63	2,03	1,86	1,75	1,60
Lager	91,16	89,95	89,59	88,15	86,56	85,21
Speciali/ <i>Specials</i>	6,26	7,42	8,38	9,99	11,69	13,19
TOTALE/Total	100	100	100	100	100	100

Table 3.3 Market segmentation of beer 2014-2019¹⁰⁶.

In 2014 more than the 91% of the market was devoted to lagers, leaving less than the 9% to be shared between special beers and non-alcoholic. From that moment on, lagers and non alcoholic beers showed a constant decrease. By contrast, in 2019 special beers registered an increment of 110%, doubling their market share.

The answer to this could be easily found in the increasing awareness of consumers that are more educated and are paying particular attention to what they buy, preferring progressively more niche products rather than commodities.

This would also explain the success of craft breweries.

As mentioned before, the number of active craft breweries increased exponentially, creating in 2019 about 3100 direct employees and producing more than 520 thousand of hectolitres of beers with an average degree Plato of 14° (a typical lager has a degree Plato of 12°), that equals the 3.1% of the national production¹⁰⁷. Total revenues generated is hovering around 250 thousand Euros¹⁰⁸.

The dominant type of enterprise is multiperson, and in many cases, it transforms into sole proprietorship but, in any case, the average people working in a craft brewery is 3.7. This information confirms the reduced dimensions of the companies that are working in this sector.

There is no certain data regarding the precise number of active craft breweries, agricultural breweries, beerfirms and brewpubs, but it is

¹⁰⁶ AssoBirra. (2019). *Annual Report 2019*, pg. 134

¹⁰⁷ AssoBirra. (2019). *Annual Report 2019*, pg. 132

¹⁰⁸ COVID: CIA E UNIONBIRRAI, FATTURATO -90% PER BIRRE ARTIGIANALI. SERVE CODICE ATECO SPECIFICO. (2020, December 22). UnionBirrai.

estimated¹⁰⁹ around 900 units, excluding more than 400 beerfirms that use the plants of the same craft breweries rather than the industrial ones, according to law (figure 3.10).

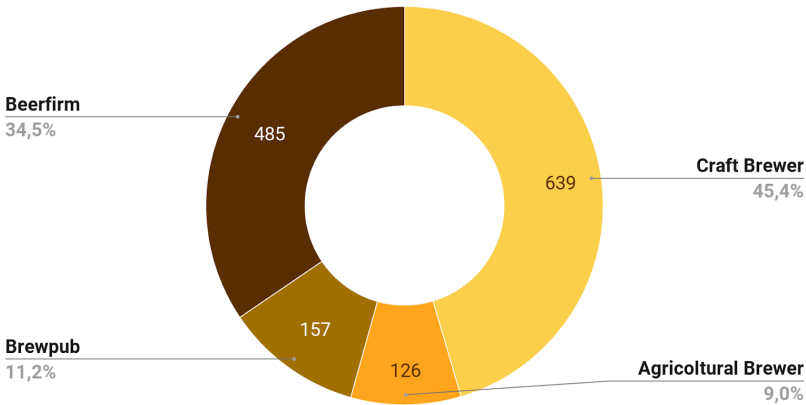


Figure 3.10 Market share and number of principal actors in the craft beer industry.

Anyway, the entirety of breweries, including beerfirms and brewpubs, is spread throughout the peninsula, so that the density is not so high. More than that, as demonstrated in the following table (Table 3.4), the geographic destination of craft beers is mainly concentrated locally and regionally.

Surely the reduced dimensions that characterize these realities make an internalization strategy very difficult, but on the other side, it is interesting to notice how strong is the link between the product and its origins.

In fact, the subsequent implication is the stable relationship that exists between the local dimension and craftsmanship in the beer industry, considering that 70% of the market is within the region.

38 %	Local
29 %	Regional
30 %	National
1.7 %	Export (Europe)
1.3 %	Export (extra Europe)

Table 3.4 Geographic destination of craft beer¹¹⁰.

¹⁰⁹ Universofood & Torriani, L. (2018, febbraio 21). Birrifici in Italia. Quanti sono? I dati 2017. *Universofood*.

¹¹⁰ ObiArt & Unionbirrai, 2019, pg. 6

The local dimension could be also enhanced by the fact that usually craft breweries present a wide range of products. According to UnionBirrai¹¹¹, each brewery has 6 to 15 different labels on average. The high differentiation makes it easy to cover the demand for various beers, satisfying in this way the market with all its products.

The main distribution channel is represented by Horeca, against the trend of the entire beer industry. In fact, while industrial beers prefer off-trade, the local dimension recalls a direct relationship between the supplier (in this case the brewery, or better, the brewer in itself) and the buyer (pubs and bars). When direct contact is impossible, there are intermediates, like distributors and sales agents, but mainly the chain is limited to a small number of people.

Internet sales keep on being very narrow: Only 1% of production is destined to online channels. Again, this could be seen as the escape of craft beer from what is “mass distribution”, in favour of a more personal and local dimension (figure 3.11).

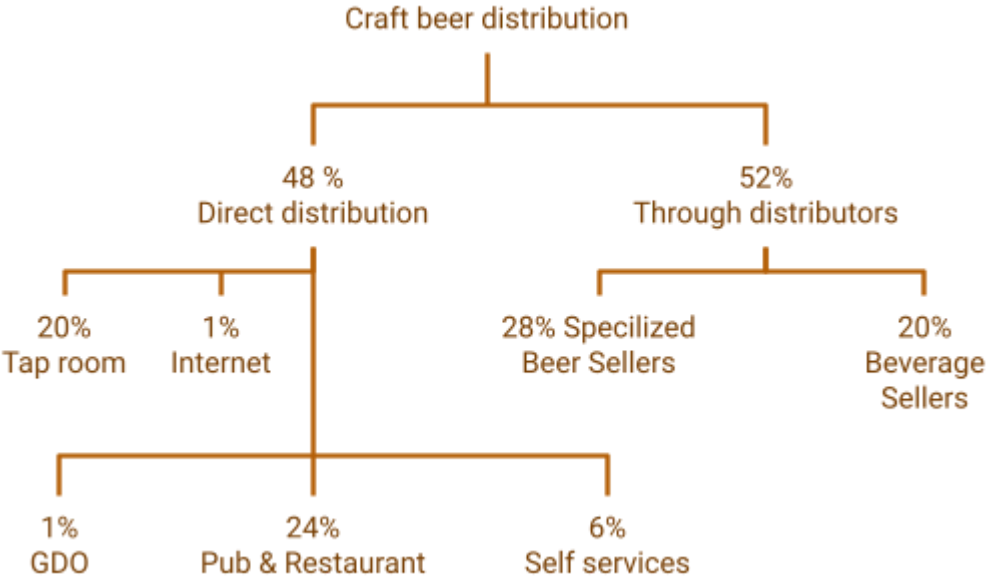


Figure 3.11 Distribution channels for a craft beer.

¹¹¹ ObiArt & Unionbirrai, 2019, pg. 5

3.3 SWOT analysis of craft industry

A useful tool to understand the internal and external environment of a company is the SWOT analysis.

This type of analysis considers four main areas that combined could help in the creation of the right strategy to grow and compete efficiently and effectively in the market of a given industry.

The first assessment to be conducted is the internal insight, through which the core capabilities and the weaknesses are identified.

The final goal is to exploit and improve the strengths and to correct the weaknesses¹¹².

The second evaluation considers the external environment, the one in which a company has to conduct its business, taking into account all the possible future opportunities and threats due to the presence of forces that can not be directly shaped.

Looking at the information about craft breweries and consumers of craft beer products, it is possible to create a cumulative analysis of the sector. For this purpose, the internal strengths and weaknesses are detected considering the main points that characterize a typical craft brewery, while the external environment is common to all the actors in the industry.

Next table summarizes the key factors for each area of study (Table 3.5).

¹¹² Vescovi, T., & Università Ca' Foscari, Venezia. Dipartimento di Management. (2015). *Marketing*. McGraw-Hill.

	Favorable factors	Unfavorable factors
Internal factors	<p>Strengths</p> <ul style="list-style-type: none"> → High quality products → Flexibility and differentiation → Attention to the client → High skills pools 	<p>Weaknesses</p> <ul style="list-style-type: none"> → Relationship with the market → Small dimensions of enterprises
External factors	<p>Opportunities</p> <ul style="list-style-type: none"> → Increasing demand → Consumer attitude → Favourable fiscal policies 	<p>Threats</p> <ul style="list-style-type: none"> → Competitive environment

Table 3.5 SWOT analysis for the craft beer.

3.3.1 Strengths

In the case of a craft brewery, there are mainly four core points of strength, that determine the positive trend characterizing the sector of craft beer in the last few years.

Undoubtedly, the high quality of products, from raw materials to the final good, represent the driver of success.

In fact, the typical profile of a craft brewer is a man that began to know the world of beer for the self production and then converted his hobby into a business.

Passion is therefore the key word.

Rather than pursuing a mere economic goal, the craftsman would put all his knowledge, capability and creativity to produce a product of art instead of a widely consumed commodity.

This implies a high differentiation, since the production is the result of the interpenetration of cultural and personal factors, not replicable by algorithms.

The figure of the brewer is then the heart of the activity and this leads to a perspective much more “human” of the business. That is the reason why the

craft production is strongly linked to a local dimension: For a typical consumer, localism is quite a synonym for quality¹¹³.

The second feature is the consequent attention to the client. In fact, since the reality is strongly local, it results easier to base the business on trust relationships, having the possibility to directly get in touch with the consumer.

The emergent marketing strategy is really effective: A local product made with refined raw materials by a local person instills confidence in a possible client.

The typical enterprise is then very small and compact, with few people working in it.

The advantage coming from the small-sized company is flexibility.

In fact, less people to manage means less bureaucracy and hierarchies and this translates into a more agile structure. A change in the market corresponds to a quick adaptation, since the adjustment to the new needs of the demand does not require much time.

Sufficient it to say that during the first years of the craft revolution the typical style of beer was lager, while at the moment all breweries produce at least one IPA in order to follow the current trend.

The immediate relationship between the producer and the consumer leads to the last characterizing feature: The high pool of knowledge and skills that distinguish the industry.

In fact, to start the business a wide knowledge of a still young sector is required and this implies that future brewers need to study and expand their know-how *ex ante*.

The direct management of all the aspects of the company, from the production to the distribution, leads also to the development of expertise and new soft skills, fundamental to keep the business alive.

¹¹³ Next chapter will analyse the typical consumer of craft beer more in detail (figure 4.12).

3.3.2 Weaknesses

Concerning the weak points, there are two primary elements that could be both reduced to the small dimension of the market.

The first one regards the relation of the craft beer industry with the entire market.

Actually, even if the demand is growing, it is still a niche sector and the difficulties in finding multiple channels of distribution are not negligible.

However, the growing presence of exhibitions focused on craft beer is giving notoriety to products that have to struggle to gain little popularity.

In addition, the increasing importance that consumers give to quality leads to an ascending demand for craft beers, still mainly during warm months (Figure 3.12).

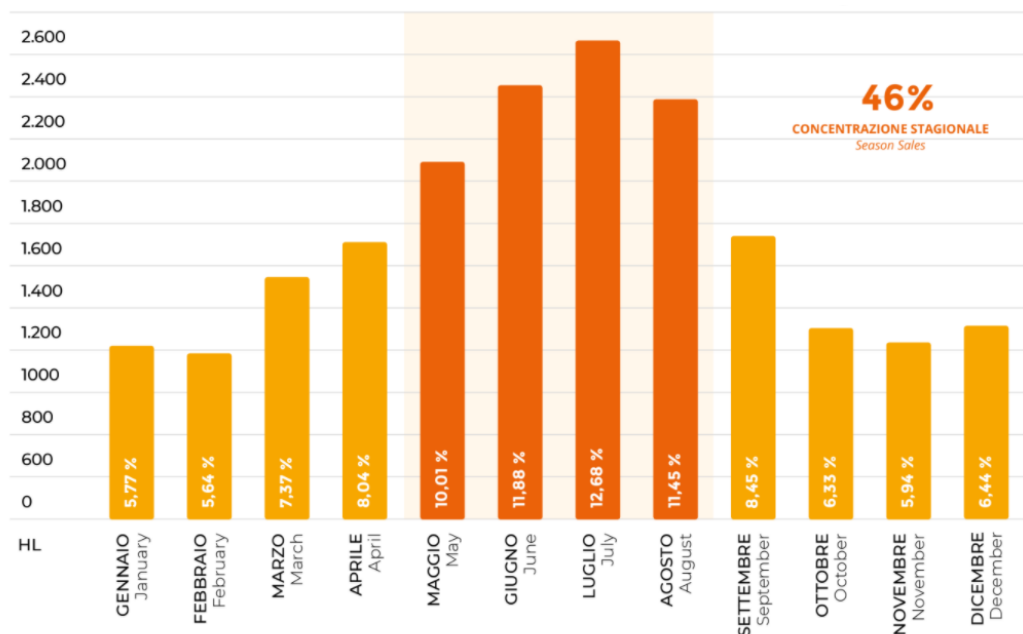


Figure 3.12 Sales and Incidence % month/year (italian and english) in 2019¹¹⁴.

The seasonal nature of the demand does not provide for a stable and safe market, but the culture is changing and the quantities consumed are rising even during cold months¹¹⁵.

¹¹⁴ AssoBirra. (2019). *Annual Report 2019*, pg. 129

¹¹⁵ Atzeni, G. (2020, July 24). *Il 2019 è l'anno record della birra. Ma il futuro è denso di incognite*. Gambero Rosso.

While for the adaptability to market changes in demand small dimensions are ideal, they appear as a possible limitation for growth.

In fact, since the demand is increasing, companies need to enlarge, but the high costs for new equipment and the difficulty in finding skilled personnel could constrain their development.

In addition, the economies of scale can not be exploited and a reduction in price terms results quite impossible.

3.3.3 Opportunities

Currently, the industry of craft beer is really attractive.

In fact, the entire market is going towards the direction of craft and the market share is slowly increasing.

The changes in consumer behaviour represent another factor that makes the sector interesting. In fact, a more educated consumer looks for more qualitative products and is willing to accept higher prices to obtain better goods.

The competition with the giants of the market shifts from competitive price to the quality of the product, since consumer awareness pushes it mainly towards local products. Its perception of quality is in fact strictly correlated to the origin, as discussed before.

Furthermore, in 2019 an innovative fiscal policy incentivized small craft breweries with a reduction of the excise tax by 40%.

The analysis conducted in chapter 2.7 showed the positive impact on the entire economy and on the sector of that government intervention, making the environment even more attractive.

3.3.4 Threats

The major threat is represented by the high degree of competition.

Competition shows at all levels: Inside the industry of beer, between craft and industrial beers, or outside between beer and other alcoholic beverages and between beer and non-alcoholic beverages.

The internal sphere regards mainly big multinationals that, understanding the potential, are trying to penetrate the domestic market by the purchase of a typical Italian brewery.

That is the case of the Heineken Group that bought the historic brewery of Sardinia, Ichnusa, to gain a large market share.

The advantage for small breweries is that usually the demand for craft is mainly locally dependent, as discussed in the previous paragraph (table 3.3). Since the market is not saturated yet and the density of craft breweries is not so high (Figure 3.13), they could benefit from the division for geographic areas.

Possibly, the main threat is represented by new entrants that are looking at a very attractive industry with high potential for growth.

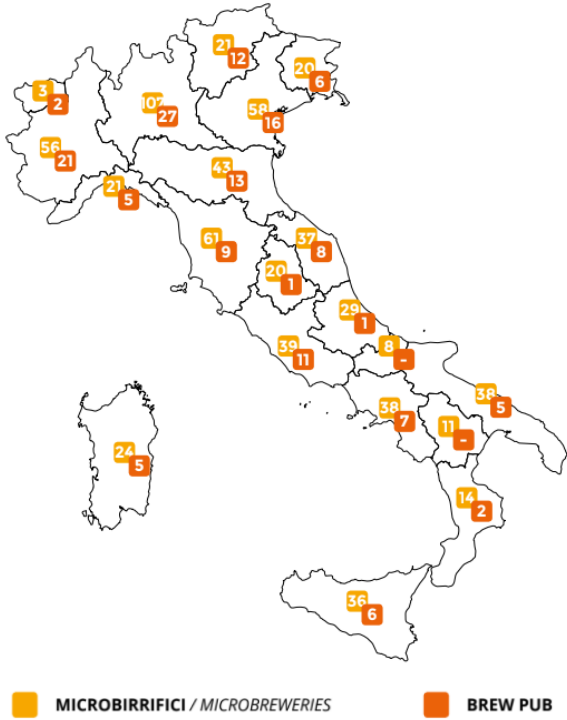


Figure 3.13 Microbreweries and Brew Pubs in Italy - Geographical Distribution - Year 2019¹¹⁶.

The SWOT analysis shows a deep insight of the industry and reveals its strong potential for the case of craft beer.

¹¹⁶ AssoBirra. (2019). *Annual Report 2019*, pg. 6

High competition is balanced by the local character that is the peculiarity of the sector and the reduced dimensions of companies represent an advantage and a disadvantage at the same time.

In fact, high adaptability is counterbalanced by difficulties when competing with bigger companies. A possible solution can be seen in the creation of networks of collaboration, where a group of enterprises supporting each other is able to pursue individual aims through common goals. In this regard, the first chapter provided a further discussion about the innovative concept of *contratto di rete* that became part of the Italian legal framework.

The potential of this sector has been observed also by the government that chose a fiscal policy that supports exactly small craft companies, rather than every actor in the panorama.

In addition to the economic benefits, the other aspect that deserves attention is the fact that a market of this type requires higher skills and knowledge from both demand and supply side: More educated producers are likely to produce more sophisticated products, while more aware consumers would prefer a craft production rather than a standardized commodity.

3.4 Canvas business model

To obtain a successful business model, it is necessary to analyse the entire panorama from different perspectives.

Canvas model is perfectly suitable to this scope: It aims to create and develop innovative strategic plans that consider all the main drivers.

It is adapted for a complete innovation, for the improvement of the present market, to satisfy new needs and to enter new markets.

For this purpose, it identifies the target, the right channels of distribution and the ways to reach it. In fact, market segmentation helps to group and label consumers according to market variables, socio cultural and demographic characteristics, in addition to the attitudinal and behavioural ones¹¹⁷.

¹¹⁷ Vescovi & Università Ca' Foscari, Venezia. Dipartimento di Management, 2015, pg. 37

It establishes the value proposition and the key resources needed to make the business effective. It is the tool to beat the competition, mainly proposing innovation, reducing risks or improving the performance, taking into consideration that success is a function of trust generated into actual and potential clients.

For this specific case, it has been considered a typical Italian microbrewery (Table 3.6).

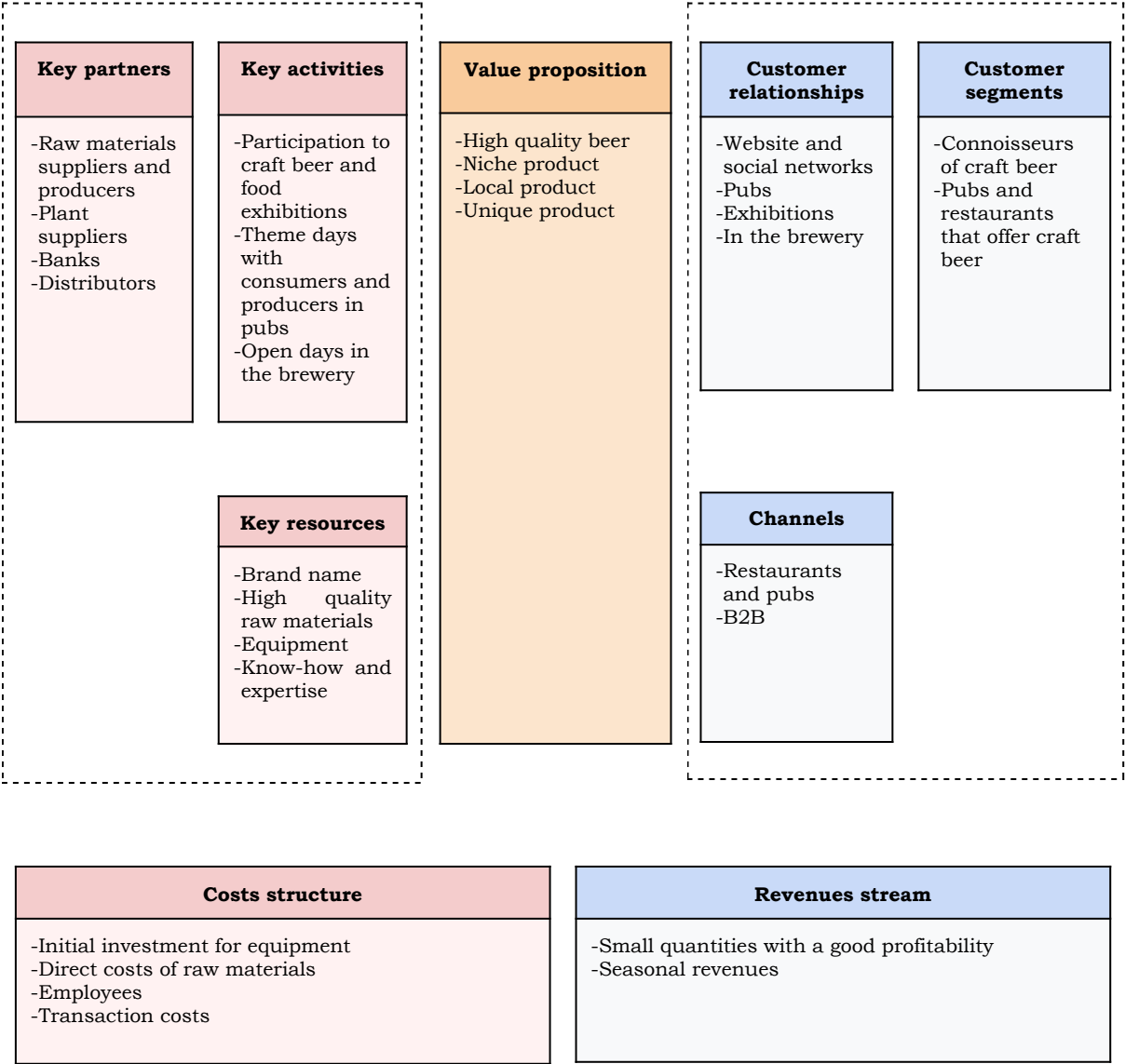


Table 3.6 Business model Canvas for a craft brewery.

For what concerns key partners, for a craft reality the focus on raw materials requires both domestic and foreign suppliers and producers, including farmers, that provide high quality products.

Banks are needed to start the business, since there are high fixed initial costs for the supply of the equipment. Initial investment, in fact, represents the major part of the cost structure that has to be added to the costs for employees and raw materials. Also transaction costs are significant: Distributors and sales agents are often the intermediates needed to reach the market.

To create a reputation in the industry, the participation to beer and food exhibitions could be very useful, in addition to the organization of theme days in some pubs or where there is direct contact with a pool of potential consumers. This could bring multiple benefits: Consumers participating in these meetings would be both actual connoisseurs of craft beer and new clients and, further, it could represent a B2B occasion, since the guest pub is able to understand more closely the reality of the microbrewery.

In any case, some open days in the brewery would create a good relationship of trust with the consumer, who in this way, is getting directly in touch with the people who produce and with the systems of production.

In order to reach a wider segment of possible consumers, also a website and the presence on social networks would become important.

The basis of high quality raw materials, of the required equipment and of a good pool of skills and know-how is essential in order to create not only a saleable product, but rather a brand name.

The value proposition of a craft brewery is in fact strictly linked to the high quality of its production. The value added is represented by the fact that a craft beer is not a commodity, but a unique product, often locally made, resulting from the creativity of the brewer.

Concerning the revenue stream, it is characterized by two factors. The first one is that the seasonal nature of revenues makes the sales of beer concentrated in some months of the year, mainly during summer (Figure 3.12). The second observation is that, according to the division of costs

reported here below (considering only production and bottling costs), the margin of profitability is tendentially high, around 77% (Figure 3.14).

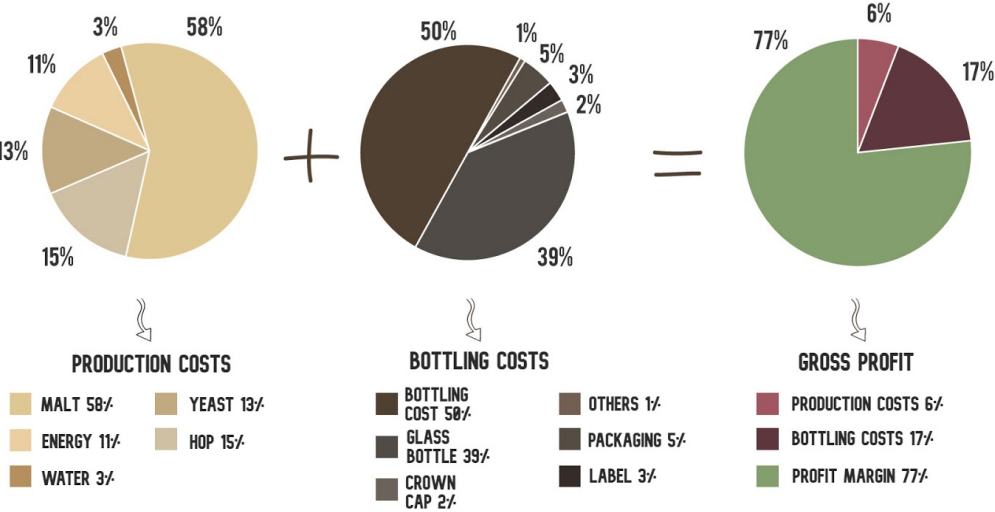


Figure 3.14 The estimated division of costs for a beer sold at 4 €/l ¹¹⁸.

¹¹⁸ Business Plan. (2021). Albrighi Beer.

Chapter 4

Consumer analysis

Considering ISTAT data, the average spending of an Italian family has been 2564 € in 2017¹¹⁹.

The amount reserved to alcoholic beverages is equal to little more than 20 €, where about 28% was directly for beer. The uncertainty regards the spending for restaurants, since it can be related also to the consumption of beer, but the correlation is not so clear.

Neglecting the quantity related to the Horeca, it results that an average spending for beer in one year is around 73 €.

In the same year it has been recorded a difference between the consumptions in the islands and in the peninsula: While in the north-west the percentage of the spending for alcoholic beverages were less than 25% of the total, islands presented nearly 40%.

This difference could be attributed to the behaviour that before was defined as “seasonal”. In fact, in Italian culture beer is still seen as a summer drink and consequently the purchases concentrate mainly in the warm months. The warmer weather of the islands could therefore have been the discriminatory factor.

Despite the seasonal nature of its consumption, the results recorded by beer in 2017 have been very significant.

The frequency of consumption has changed, with a positive trend for the every-day consumption, both during home meals (in alternative to wine) and during social occasions¹²⁰.

More than that, in the context of an increase of 12% in beer production, more than 4% has been the increment in beer consumption, mainly supported by the continuous development of craft products¹²¹.

¹¹⁹ ObiArt & Unionbirrai, 2019, pg. 10

¹²⁰ ObiArt & Unionbirrai, 2019, pg. 10

¹²¹ Iascone, B., & Istituto Italiano Imballaggio. (2018, July 23). Il mercato italiano delle bevande.

This information is confirmed by the trend for purchases: Standard and Premium beers kept the same growth rate, Radlers and cheaper products decreased, while Special ones saw an increase of about 20%¹²².

The time of purchase became a very selective moment, a moment in which Italians carefully choose the product to be consumed, giving more and more importance to quality, diversification and product identity¹²³.

4.1 Survey methodology

In order to understand better the consumer behaviour towards beers, a survey has been administered.

The aim was exactly the understanding of this behaviour during the purchases and during consumption, in order to verify if a positive trend for craft beer is taking place and if it is correlated also to a territorial identity.

To reach a sizable number of people, the surveys have been administered personally at *Garage di Mezzo*, a pub of the area of *Riviera del Brenta* known for its craft beers, and through social networks (Facebook, Instagram and WhatsApp).

These two different channels have been chosen mainly because the sample needed to be heterogeneous, referring to both a large scale number of diverse people and to people that already know craft beer.

The sample has been representative, since it reproduces the behaviour of a population on a small scale¹²⁴: 534 Italian statistical units belonging to different age ranges, gender and with different education (figure 4.1).

Data has been collected directly from their owners, i.e. on the population to be studied.

¹²² Mancini, G. (2018, February 7). Gli italiani scoprono il fascino della birra: nel 2017 record nei consumi. *Il Sole 24 ore*.

¹²³ SymphonyIRI Group. (2011). Il mercato della birra in Italia.

¹²⁴ Bernardi, L. (2005). Percorsi di ricerca sociale (October 2015 ed.). Carocci editore.

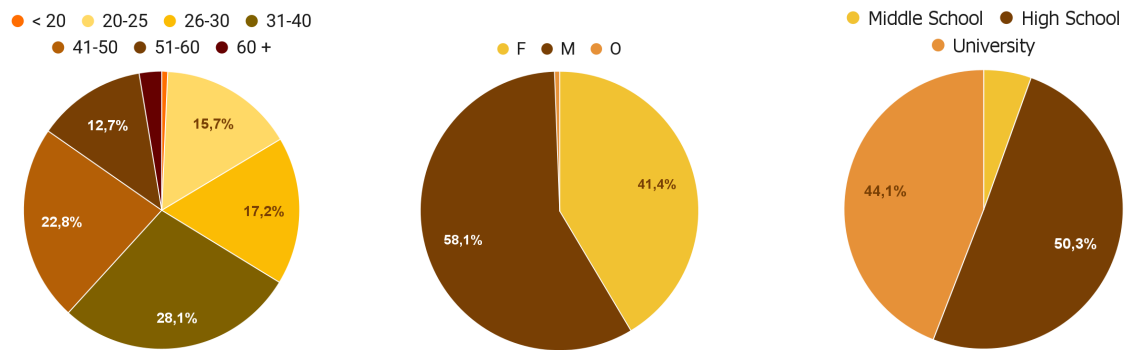


Figure 4.1 Characteristics of the sample: Age (in years), Gender (Female, male or other) and level of education .

Since the sample needed to be wide, some choices have been made.

First of all, the need for the coherence between goals and key variables that understood the research question and the sample to reach implied a semantic autonomy¹²⁵: Simple words with unique and independent meanings, i.e. words that could not be interpreted differently according to different mindsets or different variables.

Secondly, a standardized questionnaire with closed and short questions has been more adaptable to a range of people with different levels of education and knowledge.

Finally, its intrinsic simplicity has led to prefer a 3 points Likert scale for a double aim. In fact, also neutral answers has been very important for the definition of the consumer attitude and, in addition, the scarce knowledge of the topic would have led to a diverge of data (diverse judgments of people would have rated with two different values the same situation¹²⁶).

Since a sample mortality would have weighed significantly on final results, the simplicity of the questionnaire has also been aimed to limit this risk.

For the management of the survey has been chosen the scheme presented by Lorenzo Bernardi in his book *Percorsi di ricerca sociale*¹²⁷:

1. Contact and survey presentation.

¹²⁵ Bertin, G. (2011). *Con-sensus method* (2017th ed.). FrancoAngeli.

¹²⁶ Bertin, 2011, pg. 186

¹²⁷ Bernardi, L. (2005). *Percorsi di ricerca sociale* (October 2015 ed.). Carocci editore.

After getting the contact with the interviewees (both via social networks and personally) the aim of the survey has been cleared, informing about the researcher and the destination of the collected data.

2. General introduction.

Questions have been formulated in a simple manner and the easiest ones have been placed at the beginning. This method is generally used to put at ease the interviewee in order to let it answer comfortably and sincerely.

A control question has been put at the beginning in order to obtain a representative sample, since only the ones who consume beer would have been useful for the purpose of this research (41 people have been deleted from the total number of respondents, that means 7.7%). More than that, the control question has been proposed only once, since in a short questionnaire its repetition could result as annoying.

3. Central questions.

In this context the context and menu effects have been limited as much as possible, in order to obtain more truthful information not biased by the context or the order of the answers.

4. Final questions.

Final questions have been referred to the personal sphere, i.e. those personal information essential for the aim of the survey but that could result as indiscreet for the interviewee. They have been placed at the end to send the message that the personal opinion for the respondent was important regardless of age, gender and level of education.

Especially for those administered personally, but generally for every survey, a feedback has been attempted, pushing for suggestions or comments regarding the topic of beer or the questionnaire in itself.

Objective	Understanding the consumer behaviour towards beer, in particular towards craft and local products
Distribution channels	Social networks and pub
Sample	Heterogeneous of 534 statistical units, reduced to 493
Structure	Standardized questions with closed answers
Limits	Limited sample for age <20 and >60

Table 4.1 Survey summary.

4.2 Consumer profiling

The survey aims to understand the consumer behaviour towards beers. For this reason, all the people that at the first control question¹²⁸ have answered “never” have been removed from the sample. The final group consists of 493 Italian consumers.

According to the information gathered, the typical consumer¹²⁹ is a man between 31 and 40 years old with a high school degree (figure 4.2) that drinks two or three times a week on average (figure 4.3).

¹²⁸ “How often do you drink beer in a week?”. See Appedix 1.

¹²⁹ The two graphs of figure 4.2 and figure 4.3 have been generated removing samples that were not representative, such as “other” in gender, age < 20 and age > 60

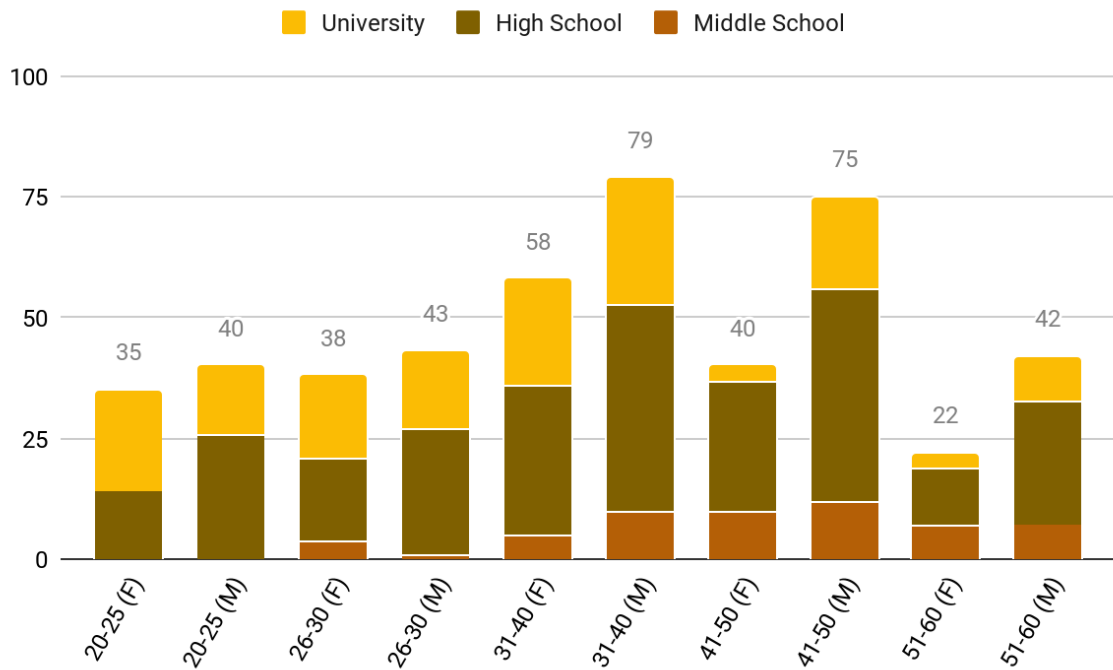


Figure 4.2 Interviewees grouped for age, gender and level of education.

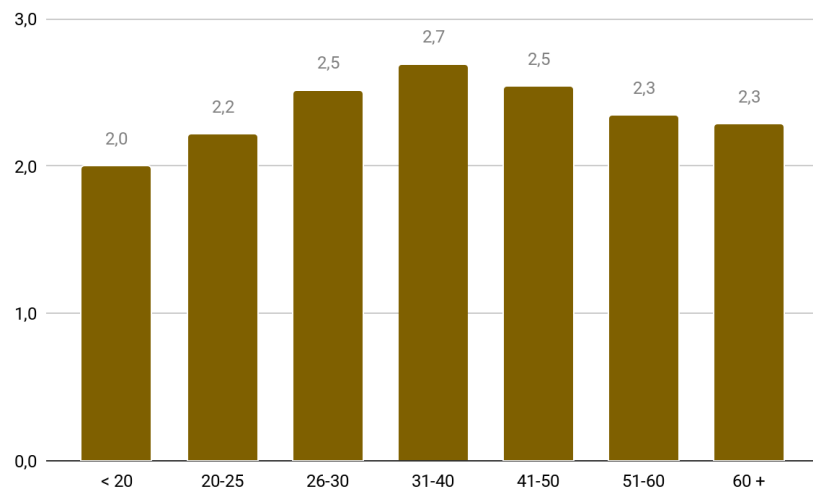


Figure 4.3 Average consumption per week for age¹³⁰.

Craft beer has become a part of the consumer basket and the majority seem to know about craft production for many years.

Looking at the graph below (figure 4.4), at the question “How long have you known craft beer?”, 72% has claimed to know this word for more than 3 years in the context of only 7.1% that do not know it. Less than 3% is still

¹³⁰ Assuming an average of 2 in the range of 1 to 3 times per week and an average of 4 for 4+ times per week.

“young” in the sector (less than one year), while 18.1% knows it for a few years.

The implication is that more than 20% of interviewees have approached craft beer in 3 years, proving also through the direct analysis of the consumer the incredible growth that characterizes this sector.

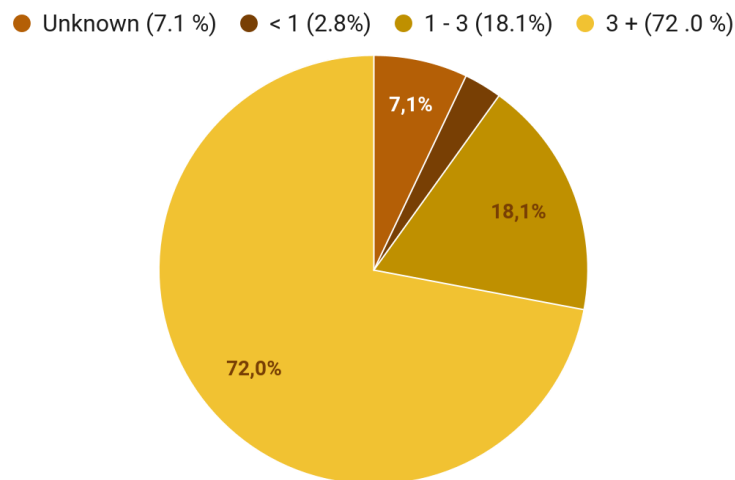


Figure 4.4 “How long have you known craft beer?”.

The discriminant question in order to define the behaviour at the time of purchase is the one regarding exactly the way of purchasing after the awareness of the existence of craft beers. The interesting information is that more than 84% of the sample has changed.

However, the distribution for age is not homogeneous. In fact, considering that at the boundaries the sample is not representative (the sample of < 20 and > 60 is too limited), the age range that have shown more propensity for change have been mainly the 26-30 (figure 4.5).

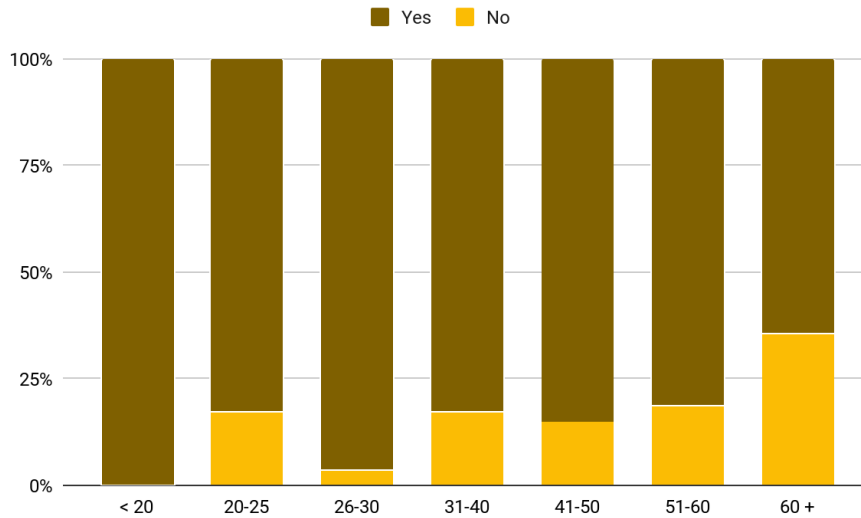


Figure 4.5 Age distribution for the question “Have you changed the way you purchase since you know craft beer?”.

Considering also the distribution of the level of education for age, the peak of graduated people is exactly between 26-30 years, whereas the level of education decreases as the age increases (figure 4.6).

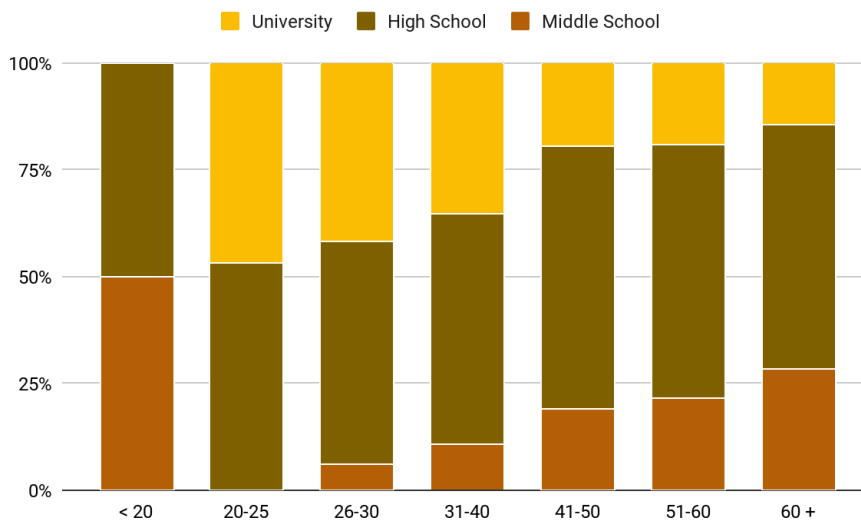


Figure 4.6 Level of education for age.

Variables such as age and education usually are strongly correlated also to purchasing power and this could imply that the willingness to pay for beer changes with the money at disposal.

In this case the range 26-30 could confirm the willingness to change for three main reasons: Young age pushes towards the exploration for what is

new, higher level of education could make the consumer more aware and the purchasing power increases after school/university.

In addition, the amount of money that a person is willing to pay for a pint of beer decreases with age, maybe also for a cultural factor (figure 4.7).

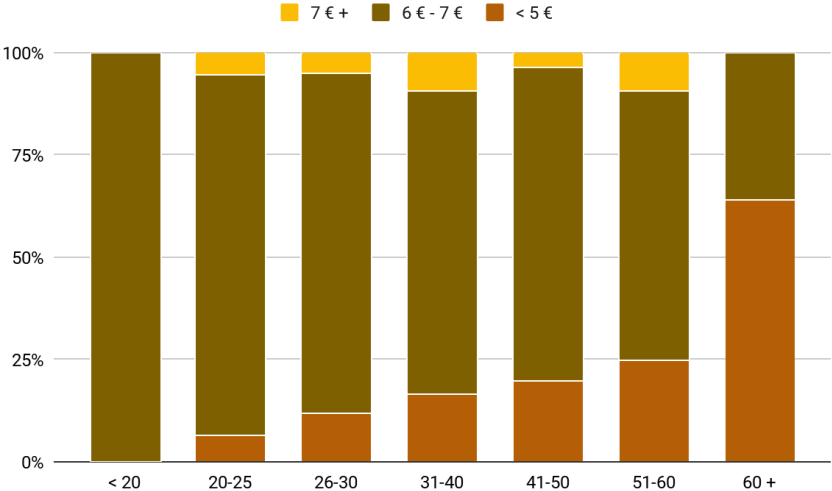


Figure 4.7 “How much would you pay for a pint of beer?”.

Price represents an interesting variable also when talking about beer in Horeca and in GDO (figures 4.8 and 4.9).

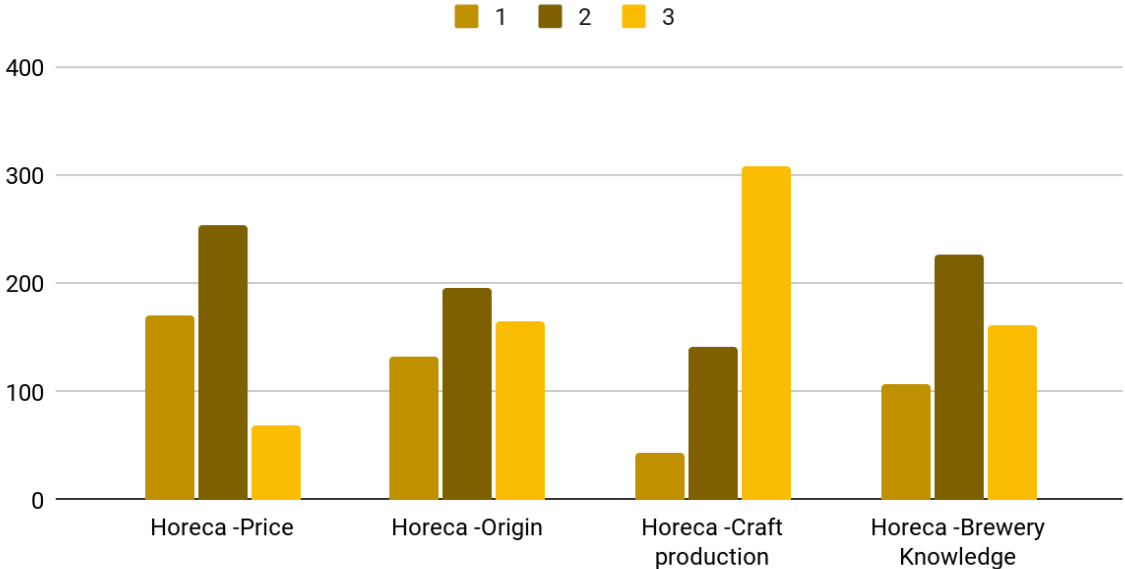


Figure 4.8 “How much do you value the following factors for the choice of a beer in the pub?” (1 not important, 3 very important).

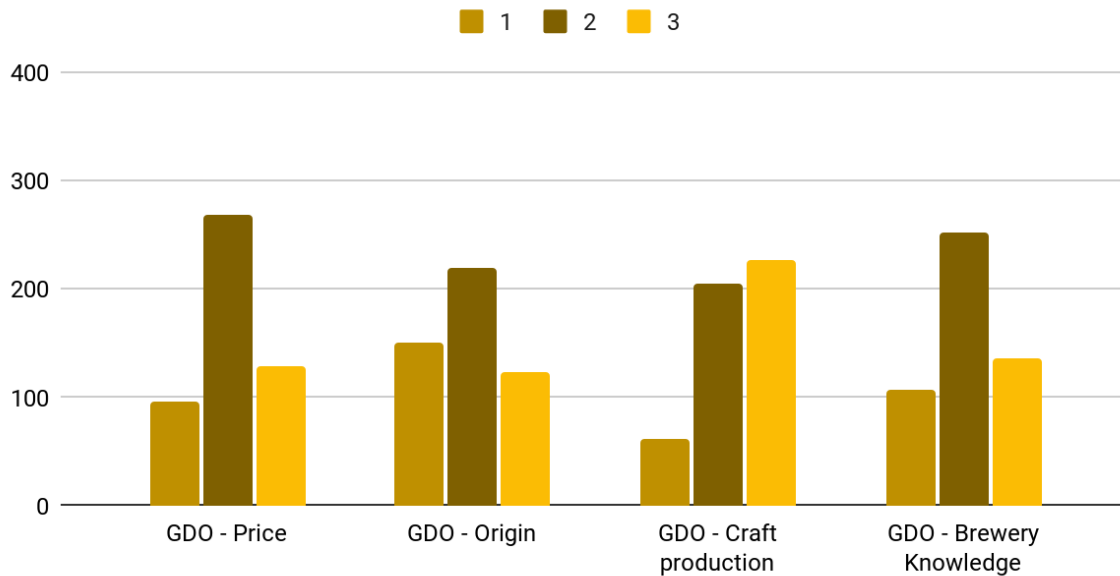


Figure 4.9 “How much do you value the following factors for the choice of a beer at the supermarket?” (1 not important, 3 very important).

According to the answers, price at the supermarket acquires more importance than in the choice for a beer at the pub. While in both situations consumers affirms to be quite indifferent, it is the tendency that differs (in GDO more people have given importance 3 to price compared to Horeca where the majority has been 1).

In any case, the key factor turns out to be whether a beer is craft or not: The majority is leaning towards craft beers with the maximum importance, both at the supermarket and at the pub, even if slightly more in the second situation.

In fact, when asking if the presence of craft beer influences the choice for a pub on a scale from 1 (*no*) to 5 (*highly*), mode is 4 or more (again in the range 31-40), except for 60+ where the sample is not representative, independently from age (figure 4.10).

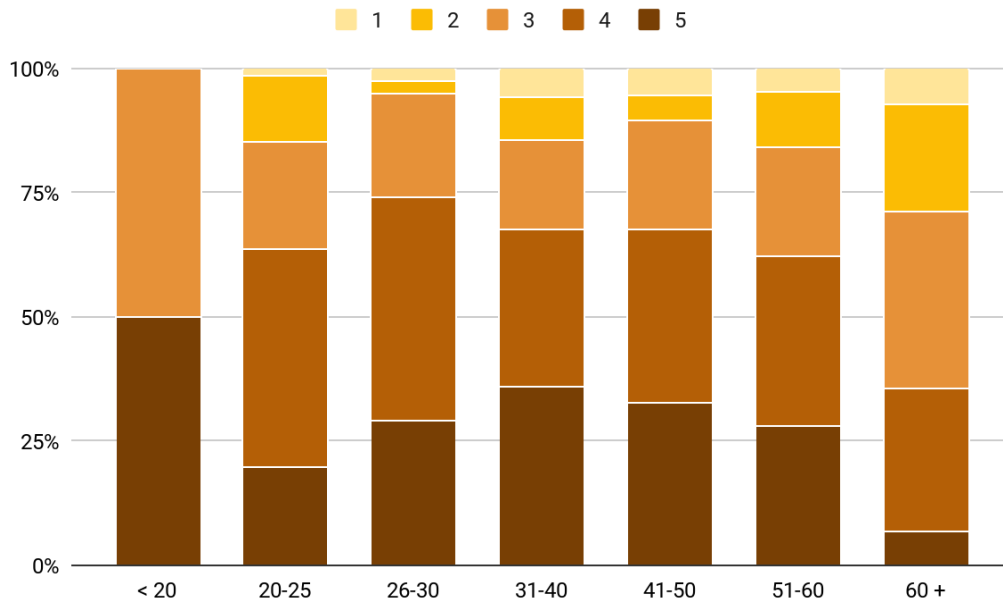


Figure 4.10 “How much does the presence of craft beer influence the choice for a pub?” for age.

Concerning the direct knowledge of the brewery, it acquires more importance when choosing a beer in a pub, while at the supermarket there is more indifference in this regard.

Therefore, while the trend for the knowledge of the brewery and the choice for craft follows quite the same path on-trade and off-trade, price and origin are opposed.

In fact, the choice on-trade is more sensitive to the origin of the product. This information is strongly supported by nearly 90% of interviewees stating that a beer of which they know its origin acquires more value. Subsequently, at the question “At price being equal, which beer would you prefer?” 49% has chosen a craft beer with known origin, compared to 44% that would have bought a beer as long as it is craft. Only 35 people still choose industrial beers and famous brands (figure 4.11).

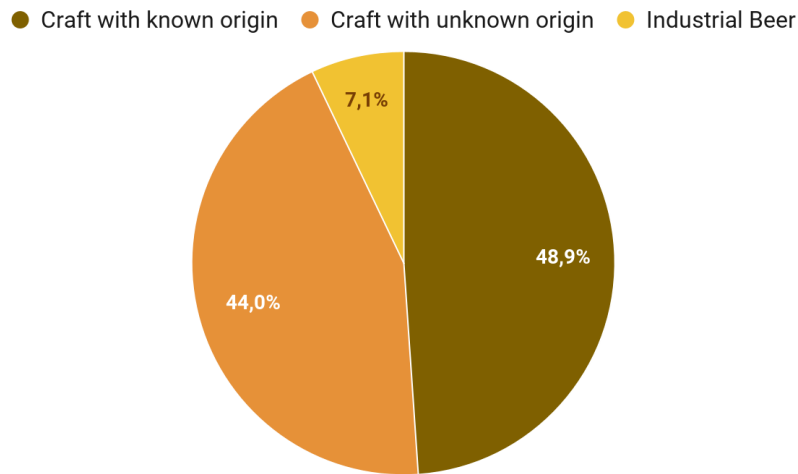


Figure 4.11 “At price being equal, which beer would you prefer?”.

Geographic origin also recalls the idea of quality in the consumer mind, together with the craft production (figure 4.12).

By contrast, quality and brand reputation are not strictly associated with quality, where brand reputation refers to the popularity that a big brand gains through marketing campaigns and advertisements, like the giants of the industry (Heineken, Carlsberg, Beck’s, Corona, etc). Actually, 90% of consumers are willing to pay a little more to get a craft beer with known production, according to the results of the survey.

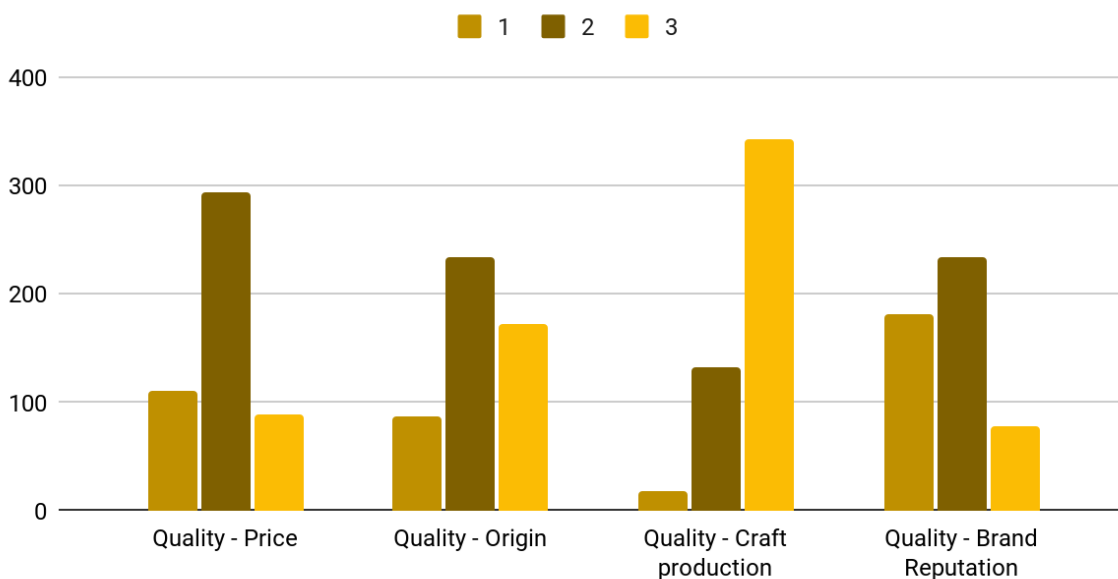


Figure 4.12 “How much do the following factors remind you of the idea of quality?”.

Basing also on the analysis on the consumer preferences conducted by UnionBirrai¹³¹, some further factors have been identified in the choice for the product.

Comparing industrial and craft consumers, the main differences are the ones exactly regarding brand reputation and origin.

After the type of beer and its style that is common to both, for an industrial consumer one of the key factors is brand reputation. For a craft consumer 81% of interviewees selected local origin as the driver for their choice (table 4.1). Again, the strength of industrial beer turns out to be price, while the added value for a craft product is given by its local origin.

Industrial Beer		Craft Beer	
91%	Style	89 %	Style
83 %	Price	81 %	Local Origin
75 %	Alcoholic degree	77 %	Price
72 %	Brand reputation	74 %	Alcoholic degree

Table 4.2 Drivers for the choice of a beer from the consumer perspective¹³².

4.3 Survey conclusions

According to the collected information, the typical Italian consumer of craft beer is a 31-40 years old man with a high school degree that drinks beer 2-3 times per week.

He sees craft beer as a product of high quality, peculiar, refined and unique, able to express its own local identity and a stronger link with the territory.

The consumer seems to be willing to pay a little bit more to get a craft and local beer. Anyway, at price being equal, his choice is exactly for a craft beer with a local identity.

¹³¹ ObiArt & Unionbirrai, 2019, pg.15

¹³² ObiArt & Unionbirrai, 2019, pg.15

More than that, the presence of craft products strongly influences the selection of a pub, where the consumer pays attention also to the origin of the product.

It is interesting that gathered data confirm the trend of the market discussed in the previous chapter. In fact, the market of craft beer is in strong increase, but its distribution channels go in the opposite direction compared to the market of beer: Craft production is mainly distributed by Horeca.

On-trade distribution allows microbreweries to sell their production to the pubs and bars of their geographic area, creating a network based mainly on trust. Actually, when producer and consumer share the same territory they are united by the same sense of belonging that makes both parties proud.

In fact, the main difference between industrial and craft consumers is the driver of purchase: While industrial consumers rely on brand reputation and pursue cheaper products, craft beer consumers are more indifferent to price, since they seek quality and territorial identity, rather than a standardized commodity.

Chapter 5

Development prospects for Italian craft beer

5.1 The protection of the product

The world of beer is dominated by several competitors, including wine, industrial and the so called crafty beers.

In this sense, a policy is needed to protect both the producer and the consumer. In fact, since the consumer is not fully aware, it could be tricked and the producer could be harmed by unfair competition.

Many claims at the end of the administered survey reflected exactly the confusion in the mind of the consumer. Many people supported the idea that the questionnaire was not complete because it did not take into consideration those craft beers produced on an industrial scale.

They clearly referred to crafty beers that for the Italian legislation do not exist: A brewery can only be craft or not, according to the requirements defined in Law 154/2016.

In addition, in the Italian reality the competition with wine is really strong. Wine is well rooted in the culture and in the mind of the consumer, it is a more refined product that better adapts to high level circumstances, such as high level restaurants with food and wine combinations. Also at the time of purchase, an “ignorant” consumer is able to perceive the degree of quality only by looking at the label: When there is the denomination of controlled origin (DOC or DOCG) on a wine bottle, a consumer tends to relate that specific indication to quality. Even when talking about wine, in everyone’s mind (except for experienced people) it is clear the “type” and “style” of a wine in a particular geographic area, rather than the name of the producer. Therefore, the link with territory still comes in the context of wine.

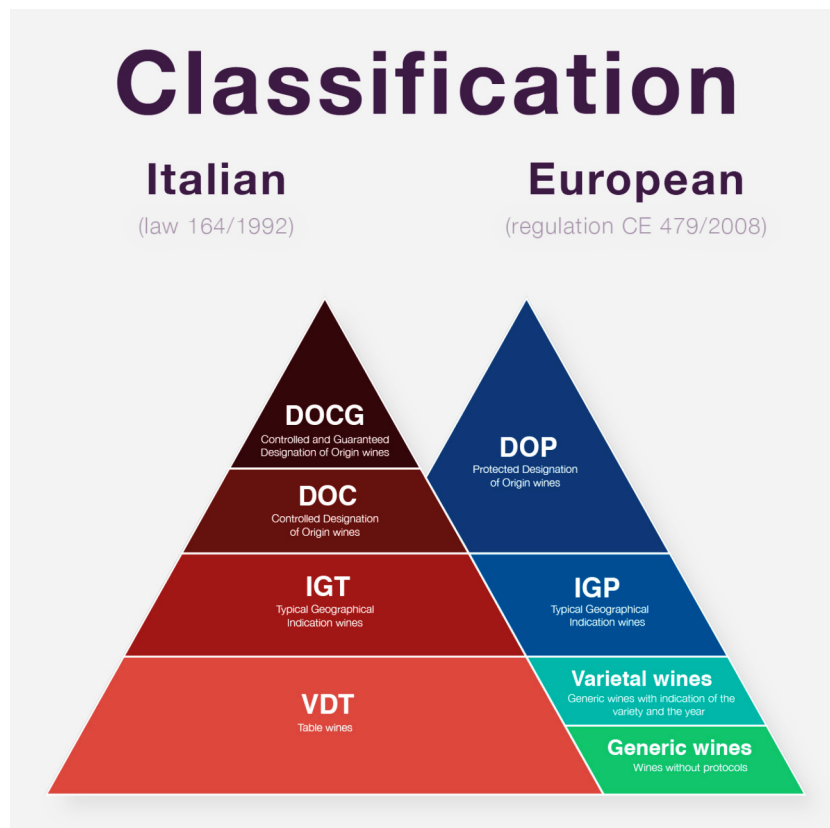


Figure 5.1 Classification of wines in Italy and in E.U. (“DOP” corresponds to PDO, “IGP” corresponds to PGI)¹³³.

This discussion could be conducted for all the gastronomic peculiarities, that is why European Union in 2008 implemented a Directive (CE 479/2008) with a series of denominations that aimed to protect both the consumer and the producer (figure 5.1).

¹³³ *Classificazione del vino italiana ed europea.* (2018). Italianowine.

There are 3 main levels of classification, complemented with three logos clearly recognizable, described as follows¹³⁴:



Figure 5.2

PDO (Protected Designation of Origin)

The denomination PDO refers exclusively to products originated in a specific geographic area that is the only responsible for the peculiar characteristics of that product. The entire supply chain must be located within the borders of the area.



Figure 5.3

PGI (Protected Geographical Indication)

Territorial constraint becomes less strict with the PGI: The peculiarities of the product depends on the geographic origin but at least one step in the value chain needs to be conducted within the borders of the specific area.



Figure 5.4

TSG (Traditional Speciality Guaranteed)

TSG is the less strict of the three denominations. It refers to a specific traditional way of producing or composing a speciality for a particular geographic area, but it does not need to be produced in that specific area. It is considered “traditional” when it has been existing for at least 30 years in that territory.

¹³⁴ *Quality schemes explained.* (2021). European Commission.

In addition to those classifications strictly correlated to geographic origin, due to the change in the consumer attitude towards environment related issues, the other quality label that has taken hold with considerable success is the organic farming logo (figure 5.5¹³⁵).



Organic Farming

This logo can be used only by those products that have been certified as organic by an accredited body, after meeting the requirements of production, transformation, transportation and storage. 95% of the ingredients must be from organic origin and the other percentage should comply with severe conditions.

Figure 5.5

In the context of beer and in particular in the craft compartment, the issue of making its quality be perceived is really challenging.

In many European countries the classification of beer has been implemented more than 10 years ago, while Italy has no beer products protected by the logo.

- *Koelsch* Style has been registered as a PGI so that only those producers from the city of Köln are allowed to use this brand.
- *Ceske Pivo* is the PGI beer brewed in Cech Republic, while *Chodské Pivo* refers only to those produced in the city of Plzen.
- Three PGI hops: Hallertau, Tettnager, Saaz (respectively from Germany and Cech Republic)¹³⁶.

The only beer known all around the world of a typical Italian style is the Italian Grape Ale (IGA), a beer brewed with grape must, which appeared for the first time in 2015 in the Beer Style Guidelines under the voice “Local styles”, but that does not enjoy any of the above mentioned classifications.

¹³⁵ *The organic logo*. (2021). European Commission.

¹³⁶ Turco, A. (2012, November 19). Anche la birra ha suoi marchi di tutela IGP, DOP e STG. *Cronache di Birra*.

Since the Italian tradition in the context of beer is still young it could not be recognized in the three European classifications, but it still needs some brands that protect it and differentiate craft beers from industrial beers that emulate the craft style.

In this direction there are some new brands promoted by official Italian associations in the beer scenario: That is the case of UnionBirrai, Consorzio Birra Italiana, Coldiretti, and COBI.

“*Birragricola Italiana*” is a collective mark of 2011 that distinguishes beers made by barley directly cultivated by breweries (figure 5.6). This brand in fact requires that at least 70% of the ingredients of the final product are self-cultivated or are cultivated in one of the breweries belonging to the consortium (barley malt self-produced and hops with local origin), that beer is brewed directly within the farm and with non impacting agronomic techniques¹³⁷.

In addition to the craft nature of beer, this logo also guarantees the origin of its ingredients, assuring a production totally made in a specific area. The link with the territory in this case results as a guarantee of quality for the consumer.



Figure 5.6 Brand of *Birragricola Italiana* marchio collettivo di garanzia d'origine e di qualità¹³⁷.

“*Indipendente artigianale - Una garanzia UnionBirrai*” is the brand proposed in 2008 by UnionBirrai that aims to bring up the name of those breweries that join the association (figure 5.7). As a consequence, their products gain the brand that certifies their craft nature so that a consumer is immediately

¹³⁷ *Regolamento del marchio "Birragricola".* (2011, February 22).

able to distinguish it from others. In addition, UnionBirrai also created a brass plate¹³⁸ for those pubs that sell only craft beer and that have at least 3 taps dedicated to beers *Indipendenti artigianali*.



Figure 5.7 Brand of UnionBirrai¹³⁸.

From the idea of a group of craft brewers, farmers and Coldiretti in 2019 is born a Consortium for the protection of craft beers made in Italy.

Consorzio Birra Italiana arose exactly with the aim of protecting national craft beer and guaranteeing the origin of raw material in order to enhance an authentic Italian identity in the industry.

Through the defence and incentives for the growth of the national supply chain, it values craft Italian productions and helps the consumer in the identification of real craft products, creating a clear difference with those crafty beers of international brands.

To reach this purpose it is fundamental a collaboration between producers of raw materials and brewers and the consortium could represent the meeting point for working constructively together by training activities and the coordination of the network of producers with national governative bodies.

The president of Consorzio, Teo Musso, loudly supports the idea that as an agricultural product, also beer deserves the same attention of the others¹³⁹: Quality of Italian production could easily compete also with foreign better known productions.

In fact, supported by the fame of the “Made in Italy” that is already known all over the world and associated with quality, the brand “*Artigianale da*

¹³⁸ Civiltà del bere. (2019, September 26). *Indipendente Artigianale, il primo marchio a tutela della birra artigianale italiana*.

¹³⁹ *Artigianale da filiera agricola italiana: il Consorzio Birra Italiana e Coldiretti*. (2021). Birra Baladin.

Filiera Agricola Italiana” could result in a very successful strategy for Italy abroad (figure 5.8).



Figure 5.8 Brand of Consorzio Birra Italiana and Coldiretti¹³⁹.

5.2 Consumer's evolution

The patterns that let the consumer make a choice at the time of purchase of food and food related products are wide: From nutritional characteristics to the need for food safety and to the satisfaction of some senses of belonging that exceed the necessity of eating. For this reason the purchasing moment is a complex process influenced by many factors still in evolution.

In the last years, a new phenomenon has made its appearance, i.e. the trend for local peculiarities and territorial brands. As discussed before, the increasing success for organic and short chain products seems to confirm exactly this trend, mainly for two aspects. The first motivation behind its behaviour could be identified surely in the increasing food safety researched, while the other in the satisfaction of hedonistic needs¹⁴⁰: Consumers are going towards the rural world, typical products, local productions and towards the culture of traditional food.

Consumers have become more aware and also on social networks and TV the presence of food related programs and video has increased, as a reflection of the increasing demand.

The trend of the brewery industry falls perfectly within this context.

The increasing supply of craft beers made with high quality raw materials and obtained following traditional styles has given birth to the so-called

¹⁴⁰ Abitabile & Esposti, 2007; Gaviglio, 2007

“craft beer revolution”¹⁴¹. In fact, without some significant changes in the culture and in the collective perception, the sector would have remained unaltered. Therefore, this phenomenon is the result of the evolution of the consumer’s behaviour; nothing but a cultural revolution with consequences on all the choices of consumption.

Microbreweries has found their space in a niche market, where the key strategic factor is exactly the reinterpretation of traditional production with differentiated high quality rural beers related to their origins.

However, in many cases consumers are more influenced by the information at their disposal and extrinsic characteristics rather than by the real intrinsic properties of the product. The poor capability of degustation is enhanced by the fact that beer is still young in the Italian culture, implying a consumer that is not mature yet.

In the light of the previous consideration, marketing campaigns around the product play a central role, as it could be one of the tools for the provision of information to the consumer that has to make the choice of relying on famous industrial brands or jumping into a still unknown world.

Another two factors that are gaining increasing importance in the mind of the consumer are sustainability and ethics.

Environmental and sensitive issues are taken into great consideration and also for companies they have become drivers of success.

In this regard, as discussed in chapter 4, the impact on the environment of the entire industry is decreasing (Figure 5.9). More than that, microbreweries employ mainly local raw materials and the law concerning agricultural breweries imposes that cultivations need to be carried on in respect of the environment.

¹⁴¹ Fastigi, M., Esposti, R., & Viganò, E. (2015). *La craft beer revolution in Italia e i birrifici agricoli: traiettorie evolutive e principali criticità*. Università degli Studi di Urbino "Carlo Bo".

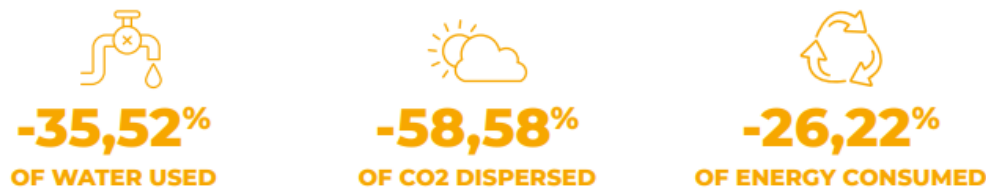


Figure 5.9 Increasing sustainability of the production of beer (2010-2019)¹⁴².

Beer could also be used to fight the waste of food. An English activist, Tristan Stuart, floated the idea to use bread that is not sold within the day as a part of the malt¹⁴³: It is the birthday of a new way to conceive beer. Toast Ale in fact represents a product with a double advantage, originating an innovative creation by doing well in the world. The success of this kind of beer in England soonly became viral to the point that also Italy started emulating the idea in collaboration with some important Italian supermarket chains.

This is a perfect example of circular economy that allows to reduce by 30% the use of barley malt and to employ 100 kg of stale bread for each batch of beer¹⁴⁴.

5.3 Beer and local identity

The evolution of craft breweries has marked a clear tendency of strengthening the link between the territory and the product beer that has been lacking in Italy for many years, since the entire market has been left in the hands of big multinationals.

Even if not craft, the most famous business model that represents the relationship between beer and its origin is Pedavena, an example that today is followed by a wide number of craft breweries.

Pedavena Brewery malted the barley directly within its factory and it has always incentivised a strong sense of belonging within the enterprise. In

¹⁴² AssoBirra. (2019). *Annual Report 2019*.

¹⁴³ Supereva. (2021). *Toast: la birra fatta con gli avanzi di pane*.

¹⁴⁴ Lacrone, M. T. (2019, August 21). *Trasformare il pane invenduto in birra: l'idea di Franco, Emanuela e Gianni per combattere gli sprechi alimentari*. Per vivere meglio non sprecare.

addition to that, in the Fifties it promoted a professional course for brewers and maltsters¹⁴⁵.

Following these footprints, an increasing number of craft breweries started attributing a local identity to beer. Several microbreweries, in fact, have pursued the choice of tying their product to the territory in which they operate, giving a local identity to the beer which, therefore, fits into the territorial context not only as an "agricultural" product but also as a "cultural" product.

On the one hand, some microbreweries have started producing craft beer using locally grown products, thus creating a link between the finished product and the territory and giving the product an image of quality, naturalness and distinctiveness of origin. There are a lot of examples in this sense, including beers produced with Piedmontese peaches and cherries and the variety of beers produced with chestnuts, enough to consider it as an Italian typicity (figure 5.10).

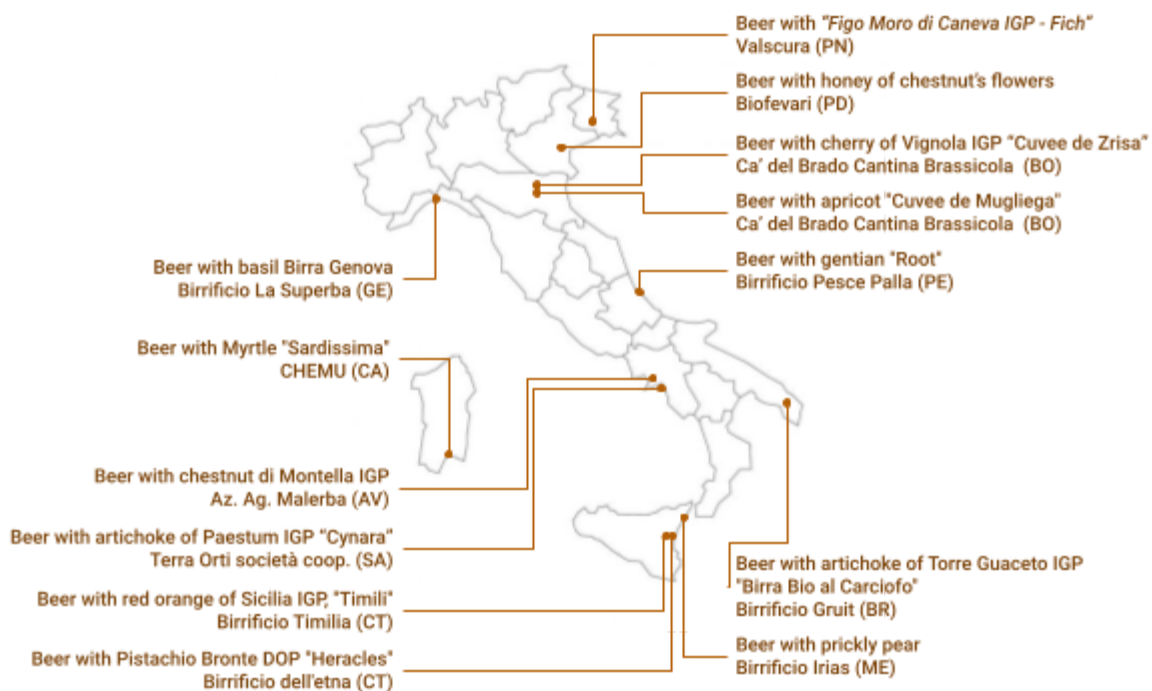


Figure 5.10 Beers with typical agroalimentar products around Italy.

On the other hand, many breweries highlight the organic origin of their ingredients or the employment of raw materials coming from Fair Trade,

¹⁴⁵ Airolidi, M. (2002). Birrerie storiche d'Italia. Storia ed immagini. Mosè.

conferring to the product a social value and guaranteeing the respect of health, environment and work. This is a successful strategy to make beer perceived as a product strongly rooted in the local culture and as an image of quality.

Local production systems are associated to quality in the mind of the consumer, since they imply the unicity of that specific product that is really different for a standardized commodity¹⁴⁶. In addition, a kind of warm glow sense is triggered in the consumer that brings together the product and its own origins.

In the context of wine production, certifications represent a strategy of producers to give an image of quality and territoriality to the product. In the world of beer, the certification system is very lacking, but in the future it could develop into a strategic driver for success.

To reach the goal of accreditation and at the same time protection at an European level, should make an effort in promoting quality and territoriality in the next years: For instance, Traditional Speciality Guaranteed certifications need a minimum of 30 years tradition in the industry and Italy will arrive at this point for craft beer in 2026.

5.4 A future insight

Even if the market is naturally going towards the preference for what is craft, both from the consumer's and producer's perspective, an incentive designed *ad hoc* would help the competition of these small realities in an increasingly globalized economy driven by huge multinationals.

To have a successful business, the building of a stable basis of clients turns out to be fundamental. Increasing awareness and research for natural ingredients are already in the consumer's mindset, but it is necessary to educate them about a more precise culture of beer: a brewery culture would give beer the right attention it deserves, as a complex and complete product, like wine.

¹⁴⁶ Fonte, M., & Agostini, M. (2006, June). Il legame dell'impresa agricola con il territorio come fattore di competitività. *Agriregionieuropa*.

Marketing and cultural campaigns could be a useful tool for the diffusion of knowledge of this product, together with the birth of specialized pubs and events.

The key factor for success is therefore the expansion of the user base, mainly through the Horeca, that represents a strong part of the Italian economy.

In fact, as mentioned before, if 1/10 of the restaurants in Italy use one keg per week, the entire production would double. Since the combination food/beer is not famous yet but craft consumers are likely to accept it, restaurants could exploit the innovative proposal, using beer also in some food preparations. This new way of perceiving product beer could therefore represent a competitive advantage also from a strategic perspective.

Moreover, tourism could constitute a potential consumer base: The enogastronomic tourism focused on food and wine could also invest in microbreweries that could offer the unique link with the local territory.

Furthermore, the tourist flow from Germany is very accentuated, reaching almost 30%, to which tourists from Austria, the Netherlands, the USA and the UK can be added, reaching 60%. All these countries already have the culture of beer and the success of the proposal could also be enhanced by the perception of the Made in Italy brand abroad.

In this way the advantages would be multiple: Opening Italy to new tourists (rural tourism), helping small realities through the promotion of their territory and rural development.

In this case also the matching with food could be exploited: At each place, the beer offered could be the one that is also more linked to typical food with the same geographical origin, giving life to couples of taste that can gain more and more fame. This is what already occurs with wine, such as for instance *Chianti* wine with *fiorentina* steak, *San Daniele* with *Friulano*, *Vespaiolo* with stockfish.

Beer would become an element that represents the territory and for this reason, exactly the territory needs the attention: New rural policies aimed at the redevelopment of some rural areas and at incentivizing those already existing.

In order to support and enhance exactly the territorial aspect, Coldiretti and the president of Baladin Brewery, Teo Musso, are working for a project that would see the creation of a brand “100% da Filiera Italiana”, where the fame of the Made in Italy brand would be exploited to reach challenging targets, including the increase of export.

In fact, according to the statements of the president of Coldiretti¹⁴⁷: “There is no more only “Italianness” but the authenticity of products is researched. Beer is adapting, quality is no more organoleptic, but it is also its history. The topic of identity comes back again: The key for success will be telling the brewery to represent a territory.”

In this sense, Italy could also gamble with the possibility of linking beer with purely Italian products to achieve recognition at European level and obtain certifications such as PDO or others. In fact, chestnut beer (in which chestnuts are used directly in the malt) is already seen as a typical feature of the area, but this production could be expanded and defended.

Given the amount of agri-food resources, Italy is perfectly suitable for the creation of unique, peculiar and high quality products that are however threatened by crafty movements. The unawareness of consumers and the unfair competition of multinationals that copy the way of acting of craft breweries would suffocate the flourish of new small realities that work with the only goal of shaping a passion.

The gap in the legal framework therefore represents an issue that soon needs a solution. The label shall include the indication of the nature of the brewery, clearly distinguishing the craft from non-craft productions for the double aim of consumer and producer protection.

¹⁴⁷ Coldiretti Treviso. (2021, March 15). *BIRRA ARTIGIANALE: SGUARDO VERSO IL FUTURO*.



Figure 5.11 A future perspective for Italian craft beer industry.

Conclusions

The success of Italian breweries is becoming increasingly evident and their production is conquering foreign markets, relying not only on the reputation of the Made in Italy brand. It is in fact difficult to summarize in a few words the complexity behind the craft beer industry, showing a great biodiversity, due to the interpenetration of multiple cultures and different territories.

From 1996 the development of the sector has been exponential, reaching nearly 1,000 microbreweries (compared to the 16 industrial companies), more than 3,100 employees and 3% of market share. This information without contextualisation could seem reductive: Even with this “small data”, Italy places itself at the top positions in the European rankings, proving its capability to be perfectly competitive in the marketplace.

At the European level, the beer industry is a very thriving market that produces GDP and employment, both directly and indirectly, and maintains a business worth millions of euros. The Italian situation is however a reality that differs from the trend of other countries. In fact, despite having an increasing consumption but among the lowest levels in Europe, it is focusing heavily on microbreweries, showing an exponential increase in new small and successful businesses and following the footprints of wineries’ style of business.

Although the sector is gaining importance in the Italian framework, the legal aspect is still young but it is improving and going towards the protection of small craft realities. In this sense there are three fundamental stages, starting in 2010 with the definition of agricultural brewery, in 2016 the real definition of craft beers to arrive in 2019 with a budget law for the reduction of excise duty completely dedicated to microbreweries.

Actually, there is no regulation regarding specifically the “crafty movement” and by now it is an important lack. In fact, with a consumer that is not totally aware, the unfair competition with multinationals that emulate microbreweries on a large scale would result in the failure of micro craft enterprises. In this regard the solution could be found in the clear indication of craft or non-craft origin of the product on the label.

While this issue could affect mainly off-trade distribution channels, on-trade is characterized by the research of higher quality products and that is why pubs and Horeca in general represent the principal channel of distribution of craft beers. Pubs have also played a key role in the diffusion of beer in Italy: It is thanks to these meeting places coming from the Anglo-Saxon culture that beer has become increasingly a part of the consumption of Italians, as it is a drink that adapts very well to situations of conviviality.

Italian craft beer's consumers are likely to choose a local product with a strong territorial identity, rather than a standardized good. This preference is highlighted by the fact that 60% of craft production is traded within the regional area.

The success of craft also in the beer sphere needs to be interpreted in the context of food products, which in recent years have been significantly changing. New tendencies prefer products able to communicate a local identity, a sense of authenticity and environmental respect. Anyway, even if the industrial structure of the beer sector would have not changed, the ground for the birth and development of craft beer peculiarities was ready. The great variety of products and the links that have been established between the beer product and the local territory are the evidence.

Beer is perfectly adapting to this evolution and it has been able to conquer new consumers thanks to the peculiarity of its offer: Not only a beverage, but the essence of its own origin, an indissoluble bond that unites human beings to the Earth.

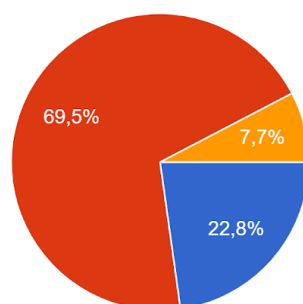
In this sense, exactly Italian ground has allowed beer to grow in the market and now beer could reciprocate. The focus of craft breweries on local identity could bring beer to be in itself the key tool for territorial enhancement and for a worthy rural development.

Appendix A

Do you prefer a craft beer produced close to you or a famous global brand?
Express your choices in the following survey!

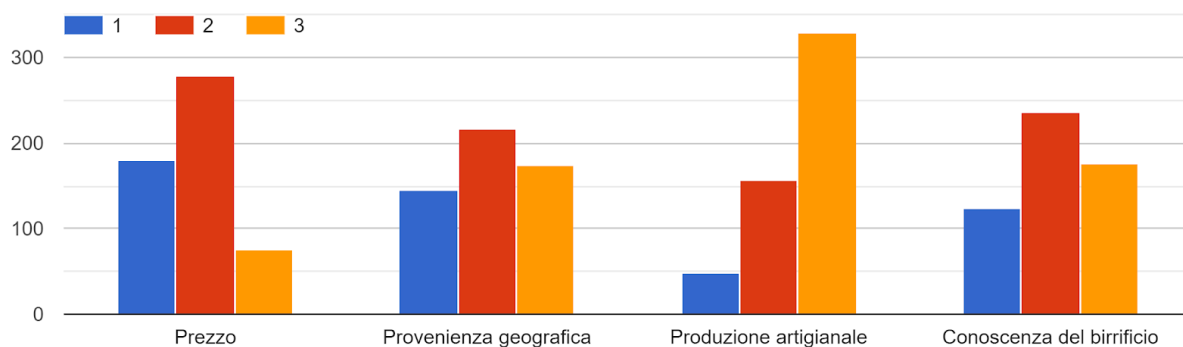
How often do you drink beer in a week?

- Never
- From 1 to 3 times
- More than 4 times



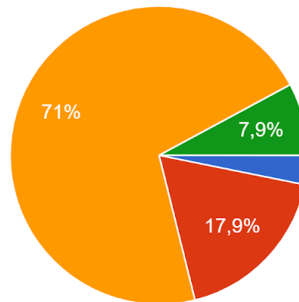
How much do you value the following factors for the choice of a beer in the pub?

- Price (1 not important, 3 very important)
- Origin (1 not important, 3 very important)
- Craft Production (1 not important, 3 very important)
- Brewery Knowledge (1 not important, 3 very important)



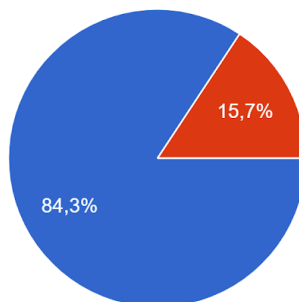
How long have you known craft beer?

- Less than one year
- 1-2 years
- more than 3 years
- I do not know it



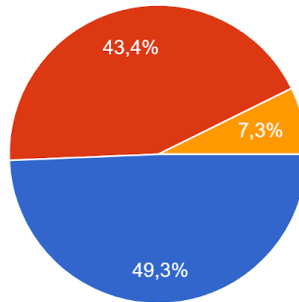
Have you changed the way you purchase since you know craft beer?

- Yes, I prefer a craft product
- No, I prefer international brands



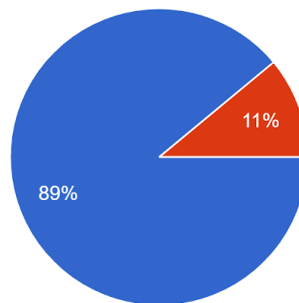
At price being equal, which beer would you prefer?

- Craft with know origin
- Craft with unknown origin
- International beer



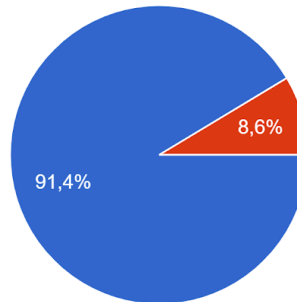
Does the knowledge of the origin of beer or its local production represent an added value for you?

- Yes
- No



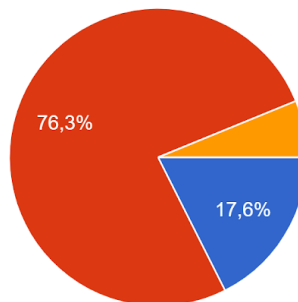
Are you willing to pay a little bit more for a craft beer?

- Yes
- No



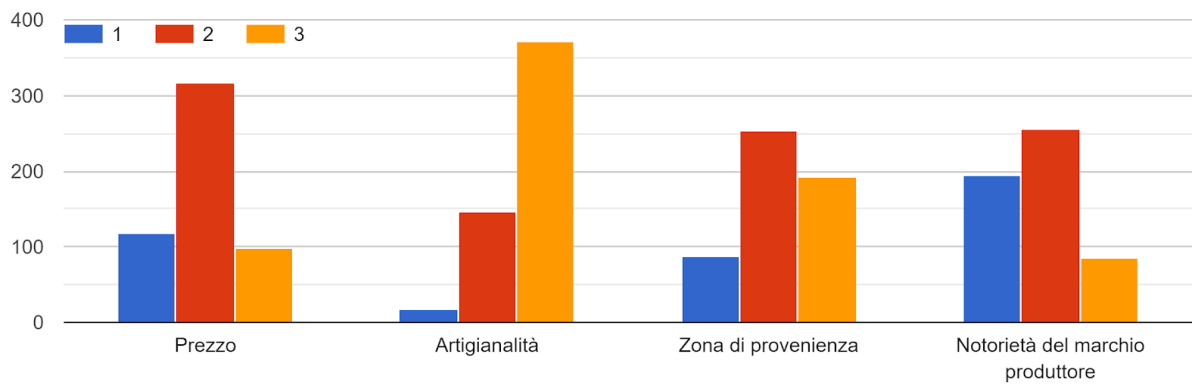
How much would you pay for a pint of beer?

- Less than 5 €
- Between 5 € and 7 €
- Between 8 € and 10 €



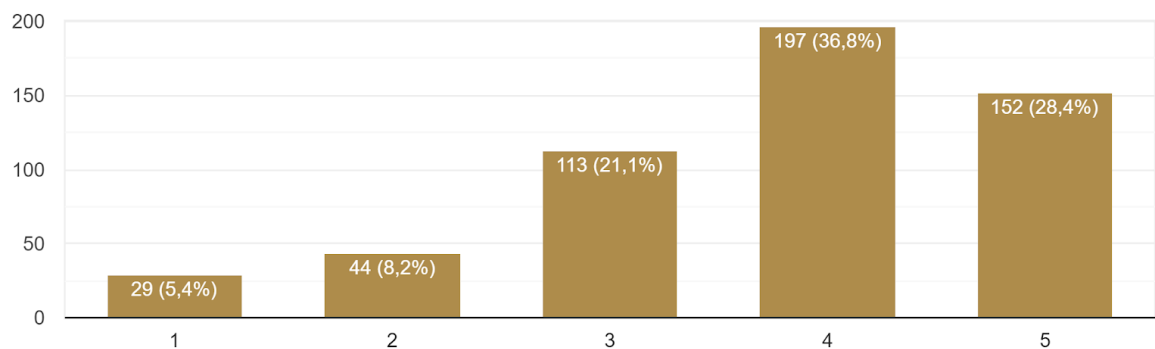
How much do the following factors remind you of the idea of quality?

- Price (1 not important, 3 very important)
- Craft Production (1 not important, 3 very important)
- Origin (1 not important, 3 very important)
- Brand reputation (1 not important, 3 very important)



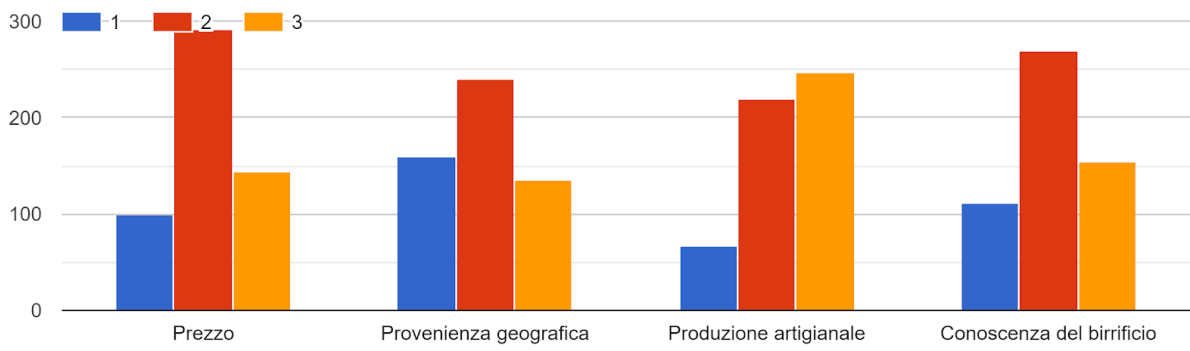
How much does the presence of craft beer influence the choice for a pub?

- 1 not important, 5 very important



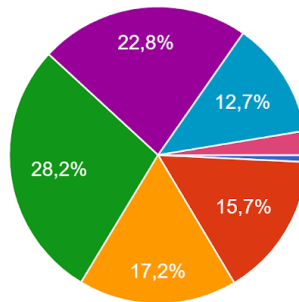
How much do you value the following factors for the choice of a beer at the supermarket?

- Price (1 not important, 3 very important)
- Origin (1 not important, 3 very important)
- Craft Production (1 not important, 3 very important)
- Brewery Knowledge (1 not important, 3 very important)



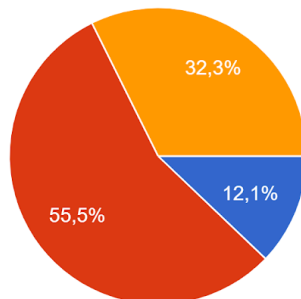
Age

- Less than 20
- 20-25
- 26-30
- 31-40
- 41-50
- 51-60
- more than 60



Level of education

- Middle School
- High School
- University



Gender

- Male
- Female
- Other

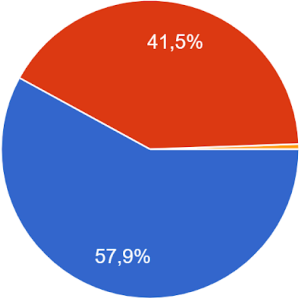


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