Entry Barriers, Strategies and Post-Entry Performance of Micro- and Nano-breweries in Denmark

BENTZEN Jan, SMITH Valdemar

Aarhus University - DK
jb@asb.dk, vs@asb.dk

Until the beginning of the new millennium beer production in Denmark was dominated by Carlsberg and a few number of semi-large and small competitors who mainly produced main stream beers. However, over the recent years a huge number of new breweries have entered the market and by today more than 100 micro- and nano-breweries produce and sell beer. In most cases the upstart process can be characterized as a pure green field entry, i.e. with one single entrepreneur having little or no background in beer production. Naturally, entry barriers, learning by doing, innovation, organizational and marketing skills become important factors for performance and in the end determine the survival of the entrants. The aim of this paper is to shed light on the newborn Danish micro- and nano-brewing industry. Using survey data for approximately 60 micro- and nano- breweries we illuminate entry barriers and future strategies, which are highly important for survival. Next, by merging the survey data with account information reported to the tax authorities we construct an empirical model for post-entry performance. We argue that factors like the age of the brewery, the number of awards in beer contests, market characteristics and a number of background characteristics of the founder of the brewery - hereby controlling for potential unobserved heterogeneity - are essential for the economic performance.