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An Empirical Analysis of Entry and Survival in the Recently Emerged Danish Microbrew Industry

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Until the beginning of the new millennium, beer production in Denmark was dominated by the large multinational producer Carlsberg and a few medium- and small-sized competitors who mainly produced mainstream beers. The market was very concentrated, with a HHI index larger than 0.5. Despite of the market power of the large breweries a huge number of new breweries entered the market during the next decade and by today around 100 microbreweries and brew pubs produce and sell beer. On this background and seen in the light of entrepreneurial and IO theory, it is an exceptional opportunity to analyze the emergence of a new industry. Which opportunities did so many microbreweries see when entering the beer market? The overall market explanation is changes in preferences. At the beginning, i.e. in the 1970s and 1980s, there was a shift in the consumption of traditional beverages like beer and spirits towards wine, which by now is the largest segment in relation to consumption of alcoholic beverages. However, as the wine market in Denmark reached a state of maturity, some consumers wanted to diversify their consumption experience by trying new products. Accordingly, the door was open for the introduction of quality or specialty products from microbrewers, i.e. identifying the market niche for high-end beverages – microbrew.

The aim of this paper is to analyze entry on the Danish microbrew market where the data used in the empirical analyses come from a survey, and also including additional information obtained from various sources of firm specific information. Focus will be on the first entrants. What were the characteristics of the first entrants, why did they enter the market, what was the motivation for entering into a market where in most cases the upstart could be characterized as a pure green field entry, i.e. with one single entrepreneur having little or no background within beer production? Naturally, entry barriers, learning by doing, innovation, organizational and marketing skills become important factors for performance and in the end for the survival of the entrants. In order to get a more complete picture of the first movers on the microbrew market, the paper will include a comparative analysis with latecomers. Are there differences in motives, characteristics and economic performance between the two groups?

The theoretical framework for the analysis is twofold. Naturally, entrepreneurial theory is a cornerstone behind the understanding of the behavior of the entrants. We focus on the importance of social factors and network like entrepreneurial traditions in family, network (investors) involved in the upstart of the brewery, unemployment etc.; human capital factors before upstart like formal education in brewing, relevant skills for starting your own firm; motivation and goals like e.g. self-employment, profit motives, exploitation of market niche, dreams of brand development and perfect brewing, interest in general etc.; environmental factors as known from the literature.