

Competitiveness in a Saturated Market. A Case Study of the Scottish Craft Beer Industry

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Abstract

The development and rise of the craft beer sector in Scotland highlights an industrial change that suggests a potential shift of power of the drinks industry. Within this context, this paper aims to assess the competitiveness of the Scottish craft beer industry in a saturated market. There is very limited research done on this sector. This study uses grounded theory, by means of semi structured interviews with relevant stakeholders. The results of this study indicate that there is a unique form of competitive advantage specifically to the Scottish craft beer market and emerging niche markets. Findings have revealed reasons for market growth, competitive strategies to achieve and obtain competitive advantage, whilst indicating future opportunities and threats.

Keywords: Competitive advantage, grounded theory, craft beer brewers, Scotland

1. Introduction

The rise of craft beer in Scotland and the UK has rocked the beer industry and transformed the image of the beer industry. The perception that small brewers produce dark beer, overloaded with flavour and only available in gloomy pubs is changing. The marketing genius and tactical decisions made by certain brewers have exposed the potential that lies in craft brewing. However, development from virtually nothing, to a competing sector of the beer industry has raised questions regarding the ability of the craft beer sector to sustain its competitive advantage. Constant movement and evolution within the market has highlighted uncertainties relating to niche market potential, along with threats of market saturation. The term competitive advantage has increasingly been scrutinized on the basis of its modern day relevance. Although questions have been raised in regard to its applicability, it remains an important concept and one that can explain the evolution and movement of industries. The application of competitive advantage frameworks has been regularly tested by large organizations around the world. However, there has been limited research in relation to local, emerging niche markets. By exploring competitive advantage and its connecting theories in an emerging niche market, the empirical part of this exploratory study aims to develop on existing literature.

2. Background of Beer Market

The world beer market has evolved and adapted over time. Brewing can be considered an ancient profession, with its history dating back to 8000BC (Craft Beer, 2012). The relatively simple and available ingredients of malt, yeast, water and flavoring (hops or rice) has resulted in constant popularity. World exploration and colonization resulted in further expansion and improvement in brewing procedures (Poelmans & Swinnen, 2011). Recently, beer production and consumption have been highly influenced by the effects of globalization and digitalization. In 2014, it was estimated that the brewing industry contributed \$500 billion to the world economy, whilst directly employing over 13 million people worldwide (World Brewing Alliance, 2014). World beer production continues to rise (Market Line, 2014). Asian countries have experienced a monumental increase in production. This increase is mirrored by Africa and the Middle East, allowing markets to catch up to the larger beer markets of Europe and the Americas (Market Line, 2014). Trends in consumption can be heavily influenced by a nation's political and legal system, religious beliefs, health concerns, price of raw materials and economic situation (CNN, 2014). It has to be noted that consumption of beer, in certain locations, is entirely seasonal (Beverage Industry, 2013).

There are four major players in the current world beer market. They are: Anheuser-Busch InBev, Heineken, SABMiller and Carlsberg. Together, the four companies control over 70% of the \$150 billion global beer market. These companies have strived for further growth, merging with smaller companies to absorb further strength and influence the market. Recently, these companies have searched for competitive advantage in Asian markets. Heineken's takeover of Asia Pacific Breweries highlights the major player's aspirations in foreign markets. Ultimately, expansion is critical for success in the eyes of dominant market players. Knowledge of your target consumer is crucial to maintain success and add growth (British Food, 2014). Throughout the history of the beer industry, producers have had to change and adapt to a changing UK demographic landscape. Traditionally aimed at men, the market would have felt the effects of both world wars. More recently, the baby boom has resulted in a dramatic increase of older beer drinkers. For instance, in 1971, the over 65s made up 13% of the population. In contrast, in 2031, the over 65s will dominate 20% of the UK population (Bar-Expert, 2011). Other demographics have to be considered as part of the UK beer market. Currently, 28% of beer drinkers are women and this number continues to grow (Mintel, 2014). This suggests an expanding consumer base and portfolio for future production.

Economic outlook has various negative effects on consumers, with the recession leading to 1/3 less disposable income in the average household (Office National Statistics, 2012). This results in a further drop in both the on-trade and the off-trade (Market Line, 2014). In spite of this, on-trade consumption remains relatively high during the weekend (Alcovision On-Trade, 2011). The UK beer market remains the third largest in the European market, in relation to beer produced and consumed (Market Line, 2014). The market boasts that 82% of beer sold in Britain is made in Britain (SIBA, 2014). The beer category remains to be the leading type of alcoholic drink. Within the beer category, lager unsurprisingly remains dominant. This is followed by ale, stout and craft beer (Alcovision, 2011). However, it cannot be denied that UK market has experienced some difficulties in recent years. Beer sales fell by 3.1% in 2013 and marked the tenth consecutive year of drop in demand. The most likely explanations for this decline is due to rising alcohol duty, implications of smoking bans in pubs and emerging competition from rival alcoholic drinks, such as wine and cider (IBIS, 2014).

Throughout Britain, drinking alcohol is a deeply ingrained part of their social life. Beer drinking is much the same. However, it is important to consider the effects of the recession on people's drinking habits and reduced level of disposable income (Datamonitor, 2009). Craft beer's re-emergence into the market seems to be a welcome change for many beer drinkers. Although the total UK beer market continues to decline, craft beer emphasises that there is still success in the market and that consumers are willing to pay premium prices for it (Bar-Expert, 2011). Future threats remain similar in the UK market as they appear in the world beer market. Price fluctuations and environmental concerns may have a lasting effect on the increasing price of raw materials. Another major threat continues to be beer duty escalator. This refers to the automatic beer tax increase by 2% inflation every year. From 2008 to 2013, beer duty has increased by 42% leading to a 21% drop in beer consumption (SIBA, 2014). In addition, poor health image and destructive social problems limit the future movement and success of the UK beer market. Its negative relation to obesity, liver failure and heart disease damage its credibility. Unfortunately, the image of beer around the UK is related to unsophisticated and usually binge drinking.

Brewing in Scotland had become an organised establishment, with the founding of Edinburgh Society of Brewers in 1596. With formal establishments and trading organisations, the nation's capital, Edinburgh, was able to build its commercial reputation on banks, biscuits, books and beer (Craig, 2000). The popularity of beer brought financial and commercial success, especially through firms such as Tennents, in Glasgow, Belhaven Brewery, in Dunbar and Campbell and Younger, in Edinburgh. Beer was primarily brewed for the domestic market, but was later to be distributed to England, the Baltic, the Americas, Australia, India, the Far East and the West Indies. This expansive foreign market generated prosperity throughout the country, funding many towns and cities. At its peak in 1840, the industry boasted 280 breweries (Scottish Breweries, 2014). However, increasing amount of mergers and closures define the last 150 years of Scottish brewing. Saturation of the market, over supply and inability to compete with rivals forced the number of breweries down to 11 by 1970 (Scottish Brewing, 2014). Fundamentally, the demise and breakdown of the industry led to a declining market for UK beer sales (Scotland Food and Drink, 2014). However, an unfulfilled demand left a vacuum of opportunity in the industry. Enterprise and suitable investment led the Scottish beer market to experience a revival in the form of microbreweries and independent firms.

The opening and development of small and large scale craft beer producers highlights changing trends in the Scottish beer market (Scottish Brewing, 2014). Reflecting on craft beer on a wider scale, the UK market has experienced a 79% growth in 2014 and is now estimated at £225 million in the UK on-trade (Mintel, 2014). The availability of craft beer throughout the UK has increased, with 25% of all UK on-trade venues stocking produce and a 19% increase in space taken on the bar (CGA Strategy, 2014). Concentrating on Scotland, there are 69 brewers across the country. Each brewery ranges in size and production ability (Brew Dog, 2014). Location wise, brewers are dispersed across the majority of Scotland, enjoying locations in 25 of the 32 Scottish Local Authority areas (The Drinking Man's Guide to Scotland, 2014). Scotland's micro brewing sector has experienced a high level of market entrants in recent years. Unlike other Scottish alcoholic drink industries, there are relatively few barriers to entry in the Scottish craft beer market. Ageing and maturing processes are one of the most troublesome barriers to entry in the Scotch whisky market, but this is not an issue with craft beer. Capital expenditure is the main issue for start-ups. However, return on investment can be a quick procedure, increasing the appeal to potential investors (Tomlinson & Branston, 2014). A major concern of this remarkable rise is over saturation of the market. Furthermore, a current issue facing the emergence of craft brewers is the declining number of pubs. In addition, shelf space has not increased at the same rate as new breweries. In the Scottish beer market, it appears that consumers have cut consumption of on-trade and off-trade products. Although mainstream producers hold the majority of market share, local craft brewers are the ones making profit (Market Line, 2014). Scottish consumers continue to be a strong driver of the craft beer sector, in addition to promising foreign exports (Innis & Gunn, 2014).

3. Competitiveness

Competitiveness in the beer industry is a vital factor that affects all brewers, regardless of reputation, age, distribution and size. Brewers are not only competing against rival beer companies on a local, national and international scale, but importantly they are competing against substitute products and offers. Therefore, the concept of competitive advantage appears ingrained in this emerging market and one that must be explored and analyzed. National competitiveness is based on the level of productivity determined by countries set of institutions, policies and environmental factors. However, this notion fails to mention that competitive advantage is based on the developments of markets. In a sense, when a market matures, strategies must adjust accordingly to secure competitive advantage. Past academic researchers have produced a range of literature on the definition and drivers of competitive advantage; however, there is no unanimous agreement on a final definition or model. Ultimately, it can be described as the ability of a business to compete successfully with its commercial rivals (Law, 2009), whilst generating a relatively factor income and employment levels are kept on a sustainable basis (Hatzichronoglou, 1996, p.20). Porter (1985) states that businesses should primarily aim to produce high quality goods that can be sold at higher prices. Porter's views are in conjunction with The National Competitiveness Council (2009) which insists competitive advantage "leads to a supportive business environment that encourages innovation and investment, which combined lead to strong productivity growth, real income gains and sustainable development".

In the craft beer industry, Balkyte and Tvaronaviciene (2010, p.342) suggest that competitive advantage is "the ability to produce beer and services of the right quality, at the right price, at the right time". Edmond (2000, p.20) agrees, adding that "progress and profitability is achieved through meeting the customers' needs more efficiently and more effectively than rivals". If there is similar quality and an already established reputation, suppliers will only become competitive if their prices are as low as or lower than their rivals (Black *et al.*, 2009; Wang, 2011). The Scottish craft beer industry is regularly viewed as a niche market. Ivanov (2009) argues that this focused area of a larger market place consists of groups of consumers that expect products with higher valuations. Effectively, products in niche markets usually contain a premium price. Dalgic and Leeuw (1994, p.41) support this notion, considering it "a small market consisting of an individual customer or small group of customers with similar characteristics or needs". Recent literature fails to comment on the results of popularity within a niche market. There are significant gaps in the literature that fail to explain the consequences of a saturated niche market and the ensuing results. Porter's five forces analysis (1980) is considered to be one of the most influential, yet critiqued, set of writings in strategic management (Recklies, 2014). Since the 1980's there have been various changes in strategic management, economic climate, globalisation and digitalisation. This has revealed weaknesses in the literature, providing the opportunity for further research and analysis.

Porter aimed to provide a dynamic and focused structural analysis to industries (Barutcu & Tunca, 2012), that would be readily available in any manager's toolbox. The most attractive part of this model is its simplicity and ability to determine and understand the dynamics of competitive structure in any sector or industry (Ucmak & Arslan, 2012). This will aid the presentation of past, emerging and potential competitive structures in the Scottish craft beer industry. At the time of Porter's Five Forces development, global economy and strategic management was characterised and dictated by strong competition, cyclical developments and stable market structures. However, economic conditions and market structures have developed and transformed since its launch. Therefore, academics suggest that the model misrepresents modern day markets and strategies, meaning it cannot explain or analyse today's dynamic changes (Recklies, 2014). The inability to explain and analyse dynamic industry changes continues to be the most criticized feature of the model (Grant, 2002, p.89; Karagiannopoulos *et al.*, 2005 p.71; Sheehan, 2005, p.57; Stonehouse & Snowdon, 2007, p.267).

Downes (2012) supports the notion that modern market conditions encourage co-operations for mutual benefits. Therefore, Porter's five forces model primary objective to attain a better competitive position against other players is outdated. Ignoring a firm's potential collaborative relations with determinants of industry structure is ultimately a vital flaw (Dyer & Singh, 1998). This additionally undermines the model's viability in changes economic dynamics and adds further opportunity for future research. However, the basic laws of economics that are present throughout Porter's model are still practical for new and emerging economies and markets. In a sense, Porter's model highlights the sustainability and attractiveness of an industry, an economic insight that continues to prove its worth (Recklies, 2014). There are further gaps in the literature. Emergence of niche markets or threat of consolidation of markets is repeatedly ignored in Porter's academic writings. However, the rise and emergence of Scottish craft beer has had a lasting effect on the UK beer market, a trend that does not feature in Porter's academic work. This is a fundamental flaw in the theory, greater than ageing issues, and remains a topic to be investigated and further analysed.

Porter's generic strategies theory directly applies to strategies of competitive advantage in the Scottish craft beer market. It was developed in 1980 and can act as a corporate competitive strategy as the primary theory of how a firm (Scottish craft brewers) should position itself and compete in the market (Pretorius, 2008). This theory complements Porter's five forces model, and aids the explanation and validity of competitive advantage in the Scottish craft beer market. Since its inception, however, corporate competitive strategy has evolved, exposing weaknesses and gaps in Porter's original literature. According to his original model, a business can decide how it wants to compete and achieve a competitive advantage (Bordean *et al.*, 2010). The key determinants of choice for a company, is the type of competitive advantage it desires and the required target market (Akan *et al.*, 2006). Porter believes this can be achieved through the basis of cost leadership or differentiation strategy in a broad range of market or industry segments. On the other hand, the low cost focus strategy and differentiation focus strategy are adopted in a narrow market or industry (Wang, 2011). Hambrick (1983) is critical of the models simplicity, suggesting that the difference between differentiation and cost leadership is not as black and white as Porter explains. Furthermore, Dess and Davis (1984) "disapprove of the models broad types of strategic groups and inability to transfer or combine". As mentioned, Porter strongly believed that a business could obtain and operate only two types of competitive advantage, either overall cost leadership or differentiation. If a business were to position itself by leveraging its strengths (Wang, 2011), then it would be better suited in coping with industry forces when compared with competitors. Cost leadership and differentiation are generic strategies that lead to the two types of competitive advantage. Focus strategy is employed as a moderator of the two strategies and concentrates in competing in a narrow segment. In theory, all three generic strategies produce profitability, but it must be stressed that not all are suitable appropriate for a business. For instance, a smaller firm, or a Scottish craft brewer, would most likely compete on a focus strategy or a focus differentiation strategy. Primarily because the business would not have the essential economies of scale and would ideally offer a product at a premium price. An issue Porter disregards, concerns the development of markets and the effects on his strategies. In this case, the development of Scottish craft beer industry as a niche market appropriately fits with Porter's strategies. However, when this industry moves past the definition of a niche market, there is little strategic advice. Furthermore, there is much debate as to whether a company can employ a focus strategy to both cost leadership and differentiation strategies at the same time (Helms *et al.*, 1997). Porter (1980) argued that a firm can only follow and employ one of the generic strategies.

Any overlap of strategy will result in a firm being 'stuck in the middle', avoiding competitive advantage. Porter warns that mixing strategies will affect performance and profitability, as the business will have less power and abilities to compete efficiently. On the other hand, Miller and Dess (1993) argue that using more than one generic strategy and a firm being 'stuck in the middle' can indeed be more profitable. Since initial development, Porter (1980) has altered focus as a moderator of the two strategies. This modification indicates that cost leadership and differentiation strategy can be applied in a particular segment of the market (Davidson, 2011). Porter's generic forces understandably aid the analysis of competitive advantage specific industry. However, when related to the Scottish craft beer market, primary data will reveal current and relevant strategies performed by numerous firms. Questions remain on the effectiveness of each strategy, especially when faced with a saturated market. The evolution and growth of Scottish craft beer risks losing its niche market value. This questions future credibility of Porter's generic strategies, with firms struggling to separate themselves from new entrants into the market, foreign rivals or substitute products.

Resource-based view (RBV) is a perspective and industrial organization tool that complements Porter's five forces model in explaining the sources of a firm's performance (Bridoux, 2004). Exploring this theory is useful in analysing the origins of competitive advantage in the Scottish craft beer industry. RBV's was originally developed by Wernerfelt's original paper (1984), but has continually been advanced since its inception, and is useful to this research study as it has a clear emphasis on innovation, creativity, value chains, knowledge and talent and more recently dynamic capabilities (Campbell *et al.*, 2011). Most notable contributions have been made by Rumelt (1984), Barney (1991), Conner (1991), and most recently Teece (Teece *et al.*, 1997). The main function of this approach is to highlight a firm's resources as the fundamental determinants of competitive advantage, profitability and performance (Grant, 1991; Peteraf & Barney, 2003). Barney (1991) proposes that a firm resource must be valuable, rare, and difficult to imitate and substitute to be considered a source of competitive advantage. However, since its theoretical and empirical development, RBV has been extensively criticised, weakening its credibility and highlighting gaps in the literature. One of the most evident omissions from RBV is its applicability to smaller firms in emerging markets. Connor (2002) argues that only larger firms with significant power in the market can be related to RBV theory. Moreover, RBV assumes infinite capabilities to all firms in all markets. Beyond the weakness of this generalisation, smaller firms in emerging markets can be limited in relation to their capabilities. Furthermore, the RBV does not address fundamental differences in how different types of resources may contribute in a different manner to a firm (Kraaijenbrink *et al.*, 2009). While this approach recognizes various types of resources, it fails to distinguish between them, and ultimately treats them all in the same way. This undermines the theoretical credibility of this approach. Kraaijenbrink *et al.* (2009) suggests that by recognizing differences between types of resources, RBV could strengthen its credibility and reputation as a strategic management approach.

A common theme in gaining competitive advantage in emerging food and drink markets is attachment to local community. This is commonly referred to as sense of place and is a vital part of the Scottish craft beer market. Primarily, this describes the relationship between people and social settings (Jorgensen & Stedman, 2001), and the emotional bonding that takes place there (Kyle *et al.*, 2004). Emotional connections are established through naming products after geographical locations, landscapes, history, individuals and cultural identities. This is an extension of differentiation in competitive strategy. Geographical location and sense of place are increasingly important in the emergence of food and drink markets in Scotland. Notable examples include Scotch whisky, Scotch beef and sections of the Scottish fish market. Flack (1997) identifies this trend occurring in the rise of the Scottish craft beer market.

4. Research Methodology

Grounded theory was adopted as the dominant paradigm to critically assess the rise and nature of the craft beer industry in Scotland. The decision to apply grounded theory methodology was reinforced by the lack of information regarding the craft beer industry in Scotland. A purposeful and convenience sampling method was deemed the most appropriate non-probability sampling method to select multiple case studies. This helped to understand particular phenomena and concepts from different perspectives permitting the researchers to make generalizations based on the observations of patterns or replications of phenomena among the cases. Six Scottish craft brewers considered to be the most relevant craft brewers within this sector were selected for interviews. Each selected case studies ticks off specific criteria for grounded theory methodology. Additional documentary evidence (for example, company reports and academic press articles) supplemented the core interviews.

A descriptive analysis of secondary data revealed insights into the role and effect of external factors to individual case studies and the Scottish craft beer industry. Combining multiple case studies research and secondary information, ultimately results in the triangulation of data, adding to the credibility of generalizations. Prior data collection a pilot test was conducted to test specific themes that were made apparent in the literature review, to explore reasons for the rise of the Scottish craft beer industry and competitiveness within the sector. Face to face in-depth interviews were carried out with stakeholders of the six selected case studies. The study participants were asked questions in a semi-structured interview format. The interviews were conducted at the selected craft brewers which were all located within a two hour car journey from Edinburgh. Resource constraints prevented the authors from collecting data from other areas of Scotland. The interviews for this study were conducted over August and September 2014. Interviews were transcribed, coded and categorised. Constant comparative method ensured that data was efficiently analysed through inductive and deductive techniques. Coding helped to encapsulate, interpret and break down primary qualitative data.

4.1 Research Propositions

The following propositions have been devised:

Proposition 1: Competitive advantage in the Scottish craft beer industry is significantly influenced by Porter's five forces.

Proposition 2: Porter's generic strategies play an important role regarding strategic management in the Scottish craft beer industry.

Proposition 3: Scottish craft brewers support Resource-Based View by effectively using tangible and intangible resources to increase overall profitability, market share and competitive advantage.

Proposition 4: Scottish craft brewers effectively use 'sense of place' as a marketing tool to attract and retain consumers, whilst gaining market share and competitive advantage.

5. Findings

In this section, the data collected from primary and secondary data is presented.

5.1 Categories from Grounded Theory and Literature Review

As shown in the figure below, there are four main categories developed through this initial part of the data collection process.



Figure 1: Main Categories from Grounded Theory and Literature Review

5.2 Categories from Semi Structured Interviews

Figure 2 illustrates the four main categories transformed into sets of topics. Each topic was designed to best extract relevant information on the four categories.

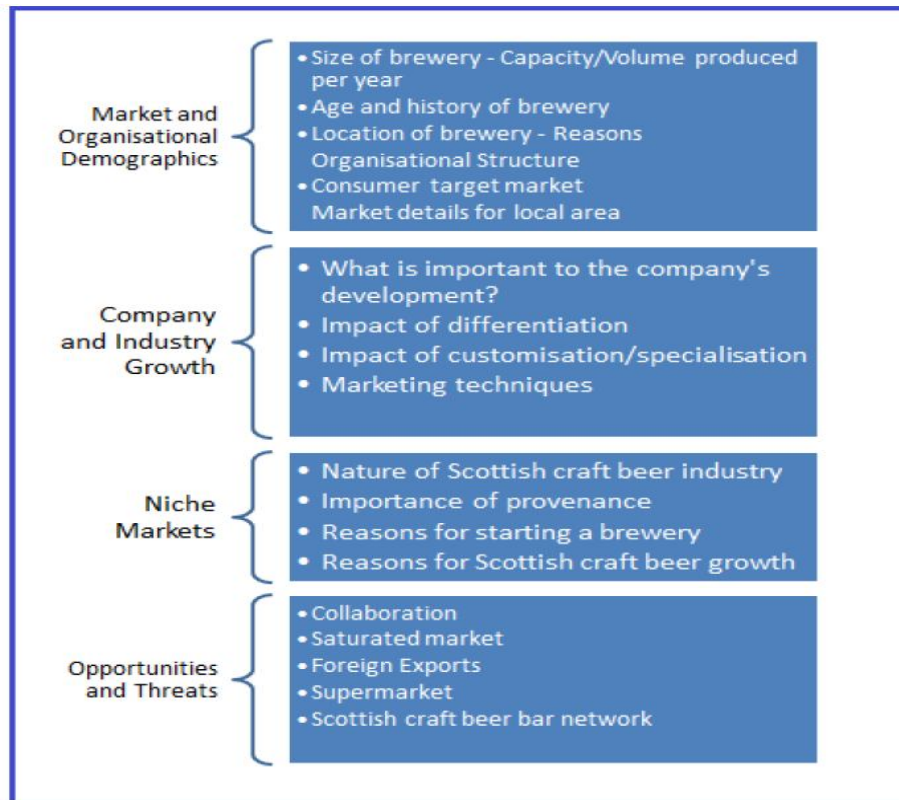


Figure 2: Main Categories from Semi Structured Interviews

5.3 Findings from Selected Case Studies

Brew Dog

Secondary data was obtained concerning Brew Dog. This company is widely regarded as the catalyst for Scottish craft beer growth. The founders stated that the company was born out of frustration at the disappointing range of mass market generic beers on offer (Brew Dog, 2014). From its inception, the founders strived to take risks, break rules, upset trends, but always brew quality beer (Smith *et al.*, 2010). By sticking to their original vision and beliefs, the company has developed from home brewed beer to being the 2nd largest beer producer in Scotland. Foreign exports are vital to the organisation, with over 60% of their product being exported to 27 different countries (CNBC, 2012). Brew Dog have continued to grow through their 'Equity for Punks' idea, a crowd funding equity investment scheme for new investors, allowing them to open larger breweries, as well as introducing 13 Brew Dog bars around the globe. Their unique marketing campaigns, business outlook and beer quality have earned them various awards and accolades.

Location: Ellon, Aberdeenshire

Founded: 2007

Brewery Production: 53,500 Hectolitres per year

Workforce: 224

Varieties of Beer: Regulars – 8, Limited and Seasonal Editions – 50

Beer Packaging: Cask, Kegs, Mini Kegs, Bottles, Cans

Stewart Brewery

Steve Stewart has developed Edinburgh's local, independent brewery since 2004. After completing a degree in brewing from Heriot University and several years spent with Bass Traditional Ale and other small producers, Steve decided to start his own brewing company.

With added knowledge of the North American craft beer, Steve realised the market opportunities in Scotland, and relighting Edinburgh's flare and reputation for producing world class beer. The founder has managed to build a successful beer brand, appealing to a wide base of beer drinkers. Since 2004, Stewart Brewery has expanded from 2 employees to 25 and has managed to relocate and expand brewing capacity in south Edinburgh.

Location: Edinburgh

Founded: 2004

Workforce: 25

Varieties of Beer: Regulars – 15, Limited and Seasonal Editions – 12

Beer Packaging: Cask, Kegs, Mini Kegs, Bottles

Tempest Brewing Company

Gavin Meiklejohn is the founder and owner of Tempest Brewing Company. Initial interest in microbreweries originated from time spent as a chef in New Zealand. Craft beer production in New Zealand has also experienced a surge in popularity in recent years and emphasized that beer does not have to be a pasteurised and homogenous product. Returning from New Zealand, Gavin and his wife bought a traditional Scottish pub in Kelso. This allowed Gavin to act on his passion for beer and anti-mass production stance. Since 2010, Tempest beer has built a credible reputation for delivering the freshest beer, whose flavour has appealed to a wide beer drinking consumer base. Initial popularity and success have enabled Tempest Beer Company to move to a larger brewery, expanding their capacity and meeting demand for their product.

Location: Kelso and Tweed bank, Scottish Borders

Founded: 2010

Brewery Capacity: 1,200 Hectolitres per year

Workforce: 6

Varieties of Beer: Regulars – 10, periodically try and change them

Scottish Borders Brewery

Scottish Borders Brewery is the only company situated in a rural location and on a working farm. Since returning from a marketing career in London, the founder decided to diversify the family farm and use it as the central hub to his new business. The main site of the company is located in the farm steading, surrounded by arable fields and neighbouring livestock. Similar to other Scottish craft brewers, Scottish Borders Brewery has made location a unique selling point to consumers. However, it is one of very few Scottish brewers that can claim to grow their own malting barley. This degree of self-sufficiency has enabled the company to promote the popular slogan 'From Plough to Pint'. This message highlights the home-grown, artisanal aspect of the brewing process. This is further supported by the founder's recent introduction of 'Born in the Borders'. This consists of a further two renovated farm buildings that sell Scottish Border produce and clothes. The converted farmyard is designed for optimum customer experience and now boasts a café, farm and river walk and outside play area. Besides the brewery and 'Born in the Borders', the owner bought a local traditional village pub over two years ago. The main aim of this was to introduce the beer to regular and reliable 'publicans'. This has helped the promotion through word of mouth of quality, local beer.

Location: Jedburgh, Scottish Borders

Founded: 2011

Workforce: 6

Varieties of Beer: Regulars – 3

Beer Packaging: Cask, Kegs, Bottles

Knops Beer Company

Knops Beer Company is situated in the grand estate of Archerfield, Gullane. Similar to neighboring estates, Archerfield has become world renowned and internationally recognisable for its golf course. However, the estate has extended its franchise to include 'Archerfield Walled Garden'. This renovated area of land now includes a café, restaurant, estate shop and outdoor play area. Planners left a spare outbuilding in the renovation, perfect for an onsite microbrewery.

Before Archerfield, the founder had worked alongside Steve Stewart (Stewart Brewing) at Bass Traditional Ales, after completing brewing at University, gaining experience in the industry and a passion for quality beer. Similar to Brew Dog, Knops Beer Company was born in a garage and the brand was developed through small kegs.

Increasing production eventually meant upscaling to Traditional Ales Scotland, where his beer would be brewed for him. Although increasing production was positive in building the brand, obvious limitations of not owning a brewery led Robert to Archerfield. State of the art facilities and room for expansion at the Archerfield estate, suggests that Knops Beer has a bright future in the Scottish craft beer industry.

Location: Archerfield, Gullane, East Lothian

Founded: 2012

Brewery Production: 60 Hectolitres per year

Workforce: 5

Varieties of Beer: Regulars – 5, Various Specials

Beer Packaging: Kegs, Mini Kegs, Bottles

Kinneil Brew Hoose

Kinneil Brew Hoose is the smallest brewery in this investigation. The microbrewery is situated in the same building as the Corbie Inn, Bo'ness. Since 2011, Stuart has been able to use part of the Inn as his own microbrewery, increasing his original home brewing capacity, and having the ability to sell through the Inn's hand pumps. Initially, Stuart attempted to sell beer through local pubs, but quickly transferred to online sales. Not only did this increase his production, but also the reach of his product. Kinneil Brew Hoose has been able to form a strong local brand, primarily through establishing a personal touch with consumers. Stuart designs and produces speciality beers for events, anniversaries, festivals and seasons, alongside six core varieties.

Location: Bo'ness, West Lothian

Founded: 2011

Brewery Production: 25 Hectolitres per year

Workforce: 2

Varieties of Beer: Regulars – 6, Various beer for special local events

Beer Packaging: Kegs, Bottles

Craft Beer Festivals

To assess the validity of grounded theory categories, resources beyond interviews were utilized. Craft beer festivals were selected as a useful alternative, offering a unique chance of comparing local and national beers. The growth of craft beer has increased exposure to mainstream beer drinkers. This development has influenced the popularity of local craft beer festivals. Attending these festivals was extremely beneficial to this study. The modern day craft beer drinker and enthusiast were partially painted from various interviews with Scottish craft brewers and entrepreneurs. However, introduction to festivals allowed interactions with not only brewery owners, but exchanges with experienced and novice craft beer drinkers. It is clear that there are various drinkers of craft beer. On one hand, there are craft beer enthusiasts that are commonly members of societies and drinking clubs. This type of drinker displays interest in the production methods, ingredients and history of each beer. Knowledge of beer is vital with this particular type of customer. On the other hand, there are various signs of mainstream consumers entering the Scottish craft beer market. There is a noticeable interest in different types of beer, but complete knowledge is not viewed as necessary. In a sense, a break from the norm and the chance to try beer with varying strength, flavour and quality is the most appealing factor.

It was surprisingly evident in both festivals, that a large proportion of consumers attending were tinged with a 'hipster' appearance. This was stereotypically characterised by alternative clothing and men sporting hipster facial hair. Changing perceptions of craft beer is an evident hurdle for all craft beer festivals. The stereotypical traditional and stuffy setting of ale and craft beer has been challenged by settings of upbeat music, street food and a light and welcoming atmosphere. The two craft beer festivals are summarised below.

Craft Beer Rising, Glasgow – 19/09/2014

After initial success with 'Craft Beer Rising London', the festival moved to Glasgow, and was hosted in collaboration with Drygate Brewing Company. During the 3 days event, there were collectively over 300 beers on offer from 45 breweries (BBC, 2014). Festival goers were also treated to discussions, talks, tasters and food advice throughout the event.

This festival efficiently illustrated the competitive market in the Scottish craft beer industry. Although most of the craft brewers originated from Scotland, there were brewers from around the UK. Experiencing first-hand the popularity, characteristics and influence of other competitors in the market further developed understanding and appreciation of hidden intricacies of the industry. In a sense, attending craft beer festivals acted as a backup to the interview process, allowing the development of points of interest missed in the interview process. For instance, although collaboration was highlighted as a future opportunity for the majority of case studies, the welcoming and friendly atmosphere in each festival supported this point. It seemed that brewers did not view other companies as local competition, but as a tool to further promote Scottish craft beer. There was a definite sense of togetherness and in some cases a clear support network.

Indy Man Beer Con – 28/10/2014

In order for an all-round understanding of the Scottish craft beer market, it was essential to consider competitors from the rest of the UK. By gaining a perception of markets south of the border, future threats and opportunities may be highlighted. The Independent Manchester Beer Convention (Indy Man Beer Con) is in its third consecutive year. Over four days in October, the festival attracted 4,000 customers, drawn in by over 50 taps offering the finest beers from the UK, Europe and the USA (Indy Beer Man Con, 2014). It was evident that the primary objective of this beer festival was to represent a wide range of experience to both knowledgeable and novice beer drinkers. The atmosphere surrounding the iconic Victoria Baths, in Manchester, was a warm and friendly one. Passion and knowledge of beer was not over the top and intimidating for new drinkers. This suggests that the beer festival was supporting craft beers route further into the mainstream. In both festivals, it was clear that local and emerging food companies were invited to compliment the beer stands. Instead of opting for the usual fast food vans, festival organisers continued to promote a local, artisanal and handmade theme.

Scotland Food and Drink – Chief Executive, James Withers – 8/09/2014

Scotland of Food and Drink is a not for profit organisation that was developed to promote and guide food and drink companies towards increased profitability and competitive value (Scotland of Food and Drink, 2014). The organisation is supported by the Scottish government and its primary objective is to grow the value of the sector, making it more profitable and increasing its global reputation. Since its inception in 2007, the organisation has aided the growth of the Scottish food and drink industry and aims to reach a value of £16.5 billion by 2017 (Scotland Food and Drink, 2014). Using a specific gatekeeper, an informal meeting was arranged with Chief Executive James Withers. This encounter was used to test information provided by the craft beer case studies. Information obtained from this meeting proved particularly beneficial, especially in regard to the current competitive climate of the Scottish craft beer industry, as well as future opportunities and threats. Mr Withers supported claims that adding foreign exports under a collaborative umbrella would benefit the Scottish craft beer industry, giving it a unique competitive edge against rivals. Moreover, the lucrative opportunity of foreign and domestic tourism was highlighted. Currently, Scotch whisky benefits from over 1.5 million tourists per year, with consumers buying produce and adding revenue into the local economy. Reports of over 20 million tourists per year entering Scotland, with an estimated £180 million potential, suggests that there is a profitable opportunity for the Scottish craft beer industry. On the other hand, Mr Withers realised certain threats to the industry. Primary concerns were related to the rate of growth in the industry and ease of entry into the market. In addition, volatility in the grain and hops supply chain are potential threats to the profitability of the industry. Climate change and unpredictable commodity prices pose are constant dangers brewers and the industry must be aware of. Finally, for a healthy competitive environment and future growth in the industry, Mr Withers underlined the influence and impact of the Scottish, British and European government. Changes in duty brackets can favour or be very damaging to the industry.

5.4 Grounded Theory Categories

Through grounded theory methodology, the following 5 categories emerged: differentiation; market growth; entrepreneurial movement; quality and pride in beer and anti-corporate stance. These five separate categories were consistently mentioned by targeted case studies. Finding suggests that movement into the Scottish craft beer section was fundamentally a reaction to bland beers in the industry. Each case study remarked on their dislike for mass produced beer, giving an anti-corporatist stance, labelling it mild and tasteless. Therefore, the results indicate that entry to the market was to predominantly brew quality beer.

The main commonality was to prove to consumers that beer did not have to look, taste and smell the same. All respondents mentioned that quality and pride in their end produce was very important to them. Entrepreneurial behavior was a topic of conversation discussed in all interviews. Personal reasons for entry into the market were shared, including aspirations for the future. Respondents have a split view on the future of market growth. Some insist on future growth, while others highlight risks of market saturation and over production. All interviewees discussed methods used to differentiate from competitive rivals.

Resource-Based View

Primary data indicates the importance of tangible and intangible resources for the development of craft breweries. Table 1 highlights unique resources available to each case study.

Brew Dog	<ul style="list-style-type: none"> • 13 Brew Dog bars around the world
Stewart Brewing	<ul style="list-style-type: none"> • Craft Beer Kitchen-Personalized brewing • Gift shop, tours and tasting
Knops Beer	<ul style="list-style-type: none"> • Unique location-Archer field Estate, walled garden • Tour of brewery, experience of walled garden package
Scottish Borders Brewery	<ul style="list-style-type: none"> • ‘Born in the Borders’ experience • Restaurant, café, rive walks • Fresh beer erved through owned pub, Cross Keys, Ancrum
Tempest Brew Company	<ul style="list-style-type: none"> • Fresh beer served through co-owned pub, Cobbles Inn, Kelso
Kinneil Brew Hoose	<ul style="list-style-type: none"> • Fresh beer served in attached bar, Corbie Inn, Bo’ ness

Table 1: Resources Available to Case Studies

Sense of Place Methods

Throughout the data collection phase, it was evident that ‘sense of place’ was an important marketing technique of the majority of case studies. Table 2 highlights the various techniques used to promote sense of place through products. In addition, Figure 3 illustrates certain patterns of employed techniques.

Town Names	Historical Life Ways
Sport Teams	Local Characters and Legends
Historical Events	Landmarks
Wildlife	Climatic Events

Table 2: ‘Sense of Place’ Examples

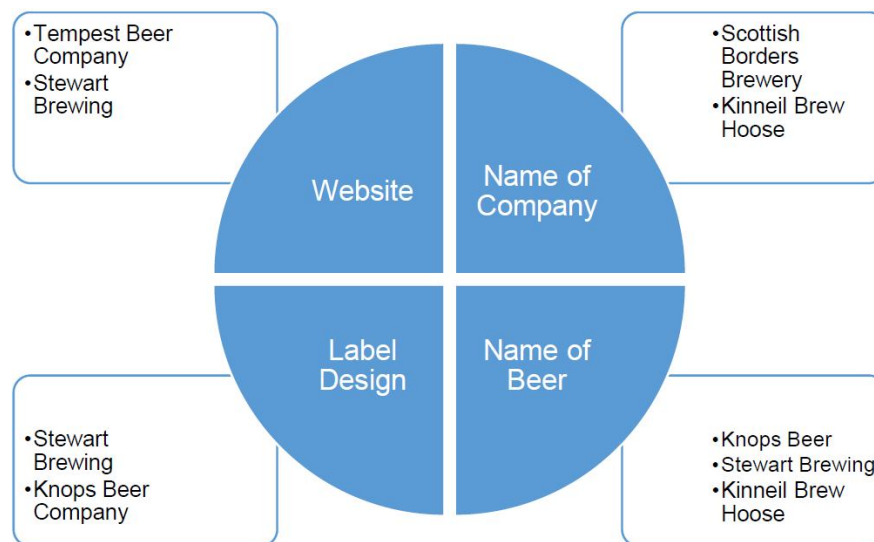


Figure 3: Neo-Localism Techniques

5. Discussion

Scottish Beer Market

The emergence of Scottish craft beer has had a resounding effect on the Scottish beer market. Fundamentally, it draws attention to an undermining flaw in Porter's five forces. Porter's theory explains the varying effect five particular forces have on competitive advantage, but does not include the threat of emerging markets. The simplicity of Porter's five forces model brought understanding and knowledge to the masses, hence its continued popularity in Business Schools and University today. In regard to the Scottish beer market, it effectively highlights potential economic threats to competitive advantage, whilst illustrating the dynamic competitive structure of the industry. Reflecting on the decline in the UK and Scottish beer market, it is evident that the collective strength of Porter's five forces has diminished, resulting in the drop of sales. However, difficulties become apparent when applied to the emergence of the Scottish craft beer industry. The following section shall explain its failure to clarify the nature of competitive advantage in the industry.

Emergence of Scottish Craft Beer

The remarkable growth and rise of Scottish craft beer has had a momentous effect on the overall beer industry and the validity of Porter's model. Specifically, gaps appear when assessing the effects of an emerging market in a stable market. In a sense, the model does not contemplate rising markets within an industry. Therefore, the idea of the growth of a niche market within an industry is rejected. Porter's theory must be set to a stable market, where only five forces can determine competitive advantage in an industry and nothing else. Thus, the researchers have redeveloped a version of Porter's model, featured as figure 4. The original five force model has been improved through the additional force of 'Emergence of niche markets', or in this case 'Emergence of craft beer market'.

Figure 4 – Emergence of niche markets in Porter's Forces Model (Porter 1980, CGMA 2014). It is suggested that if a firm is searching for competitive advantage in the industry, knowledge of all six forces will help preparation against the threat of emerging markets. Modernisation is a final advantage of remodelling this concept. Since its inception in the 1980's, UK markets have experienced heavy deregulation. Free markets have encouraged innovation and entrepreneurship since Margaret Thatcher's period in government. Additionally, the rise of an interconnected world through globalisation and digitalization has further stimulated emerging markets. Porter's model needed modernising to fit into contemporary customs and the fast paced environment.



Figure 4: Emergence of niche markets in Porter's Forces Model (Porter 1980, CGMA 2014)

Consolidation in the Market

The rise of the Scottish craft beer market is shadowed by the threat of consolidation within the market. The downside of growth and high level of market entrants is market saturation, a catalyst for changing a niche market into a mainstream one. Consequently, craft brewers would be competing in the same market as mass producing brands changes the nature of competitive advantage.

In this case, it is very likely that there will be consolidation in the market. As the data collection process developed, it became obvious that there were too many firms entering the market. Shrinking pub numbers, yet an increase in craft brewers, suggest that there are not enough establishments to sell the high amount of craft beer. On the other hand, consolidation can refer to the merging and co-operative approach of numerous Scottish craft brewers. This was a central category highlighted through data collection and grounded theory methodology and an option taken very seriously by a variety of brewers. With the correct conditions, firms were optimistic about the success of a united front of Scottish craft brewers. Not only was this theme evident from the point of craft brewers, but also from the viewpoint of Scotland Food and Drink. Both sides believed that a greater chance of success with foreign markets would derive from consolidation and a united front. There are already examples of this taking place in Asia. For example, The Craft Beer Clan of Scotland (2014) is an organisation that promotes an umbrella of local craft beers to the Asian market.

5.1 Strategies of Growth in the Scottish Craft Beer Industry

Porter's generic strategies theory is often the primary model referred to when explaining the positioning of a firm while competing for competitive advantage in the market (Pretorius, 2008, p.20). Fundamentally, this assists the explanation and reasons for competitive advantage and growth in an industry. However, as mentioned in the literature review, this recognized theory has developed certain weaknesses and gaps in its foundations. Analysing this theory in comparison to the results gained in the data collection process will further emphasis and confirm gaps or weaknesses in the literature.

Emergence of Niche Markets

In defence of Porter's generic strategies, background information and gathered data suggest that the theory had perfectly explained the emerging stages of the Scottish craft beer market. Tactics used by selected case studies reveal focus-differentiated strategies being deployed for profitability, market share and competitive advantage within the market. From collected data it is clear the majority of Scottish craft brewers concentrate on a narrow (niche) market segment, gaining profitability and competitive advantage by selling a unique, differentiated product. This focus strategy has evidently been successful, emphasised through the rise and momentous growth of the Scottish craft beer market. However, Porter's generic strategies fail to incorporate movements from niche to mainstream markets.

Niche Market Evolution

Scottish craft beer has emerged as a successful niche market within the Scottish beer industry. However, its momentous growth within the market has prompted questions regarding its niche market properties. Low barriers of entry to the market have seen a flood of new breweries, offering their own unique flavour and idea of craft beer. Background data suggests that the Scottish craft beer market continues to evolve and adapt toward new entrants into the market. As popularity, reputation and number of brewers increase, craft beer approaches the mainstream beer industry. As a result, firms must adjust tactics and broaden target markets.

Differentiation

For success in the mainstream Scottish beer market, craft brewers have the option of adopting Porter's differentiation strategy. Simply, this means offering products to consumers that are unique and difficult to imitate by rivals. The high level of competition and entries within the Scottish beer market has created an atmosphere where simple differentiation is not enough to achieve and retain competitive advantage. A strategy Porter fails to include in his generic strategies is hyper differentiation. Clemons *et al.* (2006, p.151) suggests that firms "have the ability to produce almost anything that a customer might want, thus leading to a vast increase in product variety". It is evident from the data collection process, that firms are trying their utmost to accommodate consumer's tastes through their beer. Stewart's Brewing illustrates hyper differentiation better than any other. For instance, the firm has introduced a 'Craft Beer Kitchen', where consumers can brew their own beer, hand selecting their favourite flavours and tastes. Although hyper differentiation has significant implications for product positioning of firms, it is a clear strategy to segregate a firm from rivals, appealing to consumers and potentially gaining market share. However, as previously mentioned, movement and evolution within Scottish craft beer encourages selling to a mainstream market, but bringing the threat of consolidation within the market. The shrinking of the Scottish craft beer market would return it back to a niche market. In this case, Porter's focus differentiation strategy could be employed once more. With less competition, each firm could target their own niche in the market.

For instance, Wild Beer targets a niche segment of the craft beer market by promoting their product as a “celebration of beer, with different taste and wild yeast” (Wild Beer, 2014). Finally, and most importantly, Porter only identifies products as applicable items for differentiation. Miller (1988) explores the idea of differentiation under two different dimensions, marketing and innovation. Brew Dog is a working example of how firms do not have to radically change their product to gain competitive advantage, instead change their approach to marketing their product. Brew Dog illustrates a unique method of marketing, predominantly through hard, resonance and in some cases guerrilla techniques. Designing a solid online platform and following, the firm has attacked alcoholic marketing governing bodies, such as the Portman Group, gaining followers and admiration. Ultimately, the firm has not redeveloped and differentiated their product to fit a segment of the market; instead they have inversely approached the task of marketing and promoting their product. Whilst undermining Porter’s theory, this example adds to generic strategies, highlighting the importance of innovation in emerging markets.

Resource-Based View

As explained in the literature review, long term competitive advantage is aided from numerous and varied resources that can be exploited by a firm. Grounded theory methodology has emphasised its worthiness when applied to the Scottish craft beer industry. One of the most obvious gaps in the literature regarding RBV is its failure to include smaller firms. Connor (2002, p.310) supports this notion, arguing that only larger firms are able to relate to RBV. However, results from gathered data and grounded theory category suggest that RBV is present in the Scottish craft beer market. As the range of case studies highlight, there are medium to small scale brewers who could arguably be linked to this theory. The primary unique resource of the Scottish craft beer industry was its exclusive quality, flavour and taste. This intangible quality is present throughout the industry. Pride in brewing techniques and consistency has created a reputation for the industry, adding value to this intangible resource. Without this resource, growth of the industry and competitive advantage in the market would not be possible. However, this does not separate Scottish craft beer from foreign competition or substitute products. This introduces geographical location, the industry’s second most valuable resource. Scottish food and drink’s global reputation for consistency and quality has benefitted the industry. Promoting location as a marketing tool has aided growth of the industry, separating Scottish craft beer from foreign rivals. For these reasons it is evident that RBV should in fact be applicable to smaller firms in emerging industries. Ultimately, this research study validates the effect of resource management to competitive advantage. Insights from the Scottish craft beer market reveal that intangible and tangible resources can aid profitability, whilst gaining market share.

Sense of Place

The sense of place is a vital theme when analysing the nature of the Scottish craft beer industry. Put simply, sense of place is a collection of marketing techniques used by firms in order gain market share. Usually, local landscapes, history, individuals and cultural identities are exploited to attract and retain consumers. Neo-localism was the most important concept related to this research study. The theory is based on people’s desire to break free from the “smothering homogeneity of popular, national culture, and re-establish connections with the local communities, settings and economies” (Schnell and Reese, 2003, p.46). Comparing this theory to the gathered data and case studies, there are specific correlations. All five interview case studies used a variety of techniques to emphasise location, history and traditions. Therefore, sense of place and neo-localism shapes the nature of competitive advantage of the Scottish craft beer market. On the other hand, BrewDog, one of the most identifiable and successful craft beer company in Scotland, has gained competitive advantage and a majority market share without using this technique. There is obvious pride in geographical location; however, it is not used as a primary marketing tool. Instead of promoting a Scottish theme, the company has consistently offered an anti-establishment message, targeting the poor quality of mass produced beer. Recognising that this company has emerged as one of Scotland’s leading beer producers; it questions the ability and potential of adopting a neo-localism marketing technique. It seems that it is only successful to a certain size.

Limitations of the theory are further highlighted by the owner of Scottish Borders Brewery, who explains its relevance in comparison to price. He remarks, “I think your average publican is swayed by price, relationship and quality...but in most pubs it will be dictated by price”. This comment effectively highlights price as the dictating factor for publicans and the average consumer. Consequently, competitive advantage and sustainable profit will be hard to achieve when firms applying neo-localism theory to their beer faces competition offering a similar product at a cheaper price. This further questions the extent and future success of this technique in the industry.

Gathered data suggest that a move into the mainstream beer market would have detrimental effects on the effectiveness of applying neo-localism. Competition from cheaper products would affect the nature of competitive advantage. Alternative marketing techniques must be considered. On the other hand, consolidation of the market and a return to a niche market would better suit this marketing technique. Fundamentally, consumers are prepared to pay a premium for niche products, unlike mass market consumers.

6. Conclusions

There were a number of central theories connected to the nature of competitive advantage in the Scottish craft beer industry. Porter's five forces is one of the most influential set of writings in strategic management. The validity of this model is exposed, questioning its relevance in contemporary markets. Furthermore, gaps in the literature were identified, primarily the theories rejection of competitive advantage in emerging markets. Porter's generic strategies are easily identifiable from grounded theory outcomes. The main weakness identifiable in Porter's set of academic writings is its applicability to a growing market on the verge of market saturation. Gaps in the literature highlighted weaknesses in Porter's 'stuck in the middle' concept, suggesting that a hybrid combination of strategies is neither realistic nor effective. Resource-based view is an organizational perspective that supports Porter's five forces and adds value to the concept of competitive advantage. It was clear from grounded theory outcomes that a firm's tangible and intangible resources were significant to its level of growth and market position. Therefore, it is a helpful theory when explaining the nature of competitive advantage in the industry. On the other hand, the theory is not applicable to smaller firms in emerging niche markets. This gap in literature promoted further exploration and analysis of its effectiveness in explaining the nature of competitive advantage in the Scottish craft beer market.

Sense of place is the final concept to emerge from the gathered data and grounded theory outcomes. The most relevant theory connected to this concept is neo-localism. Simply, this theory suggests that consumers are attracted by the image of local, traditional and artisanal products. Fundamentally, this theory emphasises an anti-establishment theme in consumers, looking to break free from the overwhelming uniformity of popular, national culture. Although this marketing technique has evident attractions, gaps in the literature appear when compared to the importance of price. In a sense, products in a niche market frequently involve a premium price. Questions are raised concerning the success of premium price, if the Scottish craft beer industry moved into a mainstream market. The most important finding from the analysis of data is the repercussions of immense growth in the Scottish craft beer industry. Low barriers of entry have attracted investors to the market and encouraged them to add their own unique beer. Effectively, this has caused market saturation. With craft beer flooding the market, the nature of competitive advantage is affected. Too much competition and not enough shelf space or trade pumps to sell the product suggest consolidation in the market. Potential shrinking of the market can also be related to the negative effects of the mainstream markets. Although Brew Dog has succeeded, now boasting large scale production, it is clear that not all craft brewers have found success offering their product to a wider consumer base. The drawbacks of premium price, high levels of domestic and foreign products and pressure from substitute products encourage further consolidation.

It can be concluded that competitive advantage does exist in the Scottish craft beer industry. However, the accepted image of selfish and ruthless business techniques associated with competitive advantage is not present in the industry. It appears that small to medium size brewers have a positive relationship with each other. For future growth and success in the market, firms realise that other rival brewers must succeed. Therefore, instead of viewing fellow Scottish craft breweries as competition, they understand foreign beer and substitute products as the predominant rival. This idea has encouraged a positive attitude throughout the sector. This was evident during interviews and craft beer festivals, with an optimistic and positive vibe running through. On the other hand, it appears that companies that have emerged from the niche market and into the mainstream, have lost this sense of togetherness and community. Competition has increased and the firm is faced with the cut throat realistic of modern day consumerism. It is important to reveal recommendations to the industry, highlighting implications of the study.

From gathered data and the analysis of findings, various opportunities are highlighted in the table below:

Collaboration in the Industry	<ul style="list-style-type: none"> ✓ Making an umbrella organisation promoting Scottish craft beer in foreign markets. ✓ Success would encourage firms to share logistics, marketing costs and the task of foreign exports. ✓ Targeting foreign exports as an umbrella is the best way to support growing markets. ✓ Questions must be raised regarding the opportunity to build collective ownership of addressing common issues.
Tourism	<ul style="list-style-type: none"> ✓ Tourism is an important part of Scotland's industry, estimated at £20 million per year (Visit Scotland, online) ✓ Rising interest suggests that there is a £180 million potential in the market (Visit Scotland, 2014, online) ✓ Food and drink tourism is on the rise, particularly in the Scotch whisky industry. ✓ As mentioned, provenance and sense of place is a using technique to attract consumers. ✓ Scottish craft beer has the ideal characteristics to draw tourism from across Scotland and the world.
Monitored Growth	<ul style="list-style-type: none"> ✓ Further growth can be found in foreign markets and supermarkets. ✓ However, as previously mentioned, the threat of mainstream markets could have a detrimental impact on Scottish craft beer. ✓ Therefore, growth has to be managed correctly, identifying the correct markets to work with.

Table 3: Recommendations to the Scottish Craft Brewers Industry

7. Future Research

This investigation aimed to review the nature of competitive advantage in emerging industries, and in doing so has developed current literature to suit this particular sector. Future research most definitely lies in the effect of mainstream markets on small, emerging niche markets. The balance of success or failure when entering this market should be further explored and analysed. Moreover, a quantitative research study into the emergence of the Scottish craft beer industry would complement this investigation. The luxury of having hard data to support claims of growth would add credibility and depth to this research study. Finally, industry life cycles and its applicability to the Scottish craft beer market would be an interesting and valuable topic worth exploring. This would illustrate future potential in the market, along with its current stage in the life cycle.

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