



What real ale buffs can teach the UK economy

The Fall and Rise of the Local Brew

By Peter Swann

The changing tastes of Britain's beer drinkers can serve as an inspiration for the nation as it struggles to emerge from recession.

The country's real ale fans offer the perfect example of how greater consumer awareness can revitalise a struggling industry, according to a new study.

Equally, the ever-growing number of microbreweries satisfying their demanding palates offers hope for the UK's small businesses.

Experts at Nottingham University Business School came up with the findings after examining the history of brewing in England.

They believe the industry's rebirth in the wake of the Campaign for Real Ale's founding in 1971 has implications for much of the UK economy.

Research basis

The study set out to examine the fall and rise of local brewing in England between 1900 and the present day and the influence of the following factors:

1. Economies of scale
2. Economies of scope
3. Horizontal product differentiation
4. Demand for diversity
5. Demand for reliability and predictability

It was found that between 1900 and 1970 the importance of 1 and 5 led to rapidly increasing geographical **concentration** of the industry.

From the early '70s onwards the importance of 3 and 4 – and the lack of importance of 2 – led to rapidly increasing geographical **dispersion** of the industry.

Comments and implications

Professor Peter Swann, the study's author, said: "The fact is that the business world can learn an enormous amount from our beer buffs.

"The range of products and the number of centres of production

Key findings

- The rise and fall of local brewing in England provides a perfect example of how increased consumer awareness and the response it demands can revitalise and reshape an industry.
- The number of breweries in England fell from 1,324 in 1900 to just 141 in 1970, with most located in a few cities and towns.
- This rapid rise in geographical concentration was driven principally by the economies of scale and consumer demand for reliability and predictability.
- Thanks to the continuing microbrewery boom, England's brewers now once again number in the hundreds and enjoy a wide geographical spread.
- This trend has been driven largely by a huge rise in demand for diversity and the lack of importance of the economies of scope.

in brewing in England declined dramatically between 1900 and 1970.

"As is widely accepted, that process began to reverse with the formation of CAMRA and its fight against bland, mass-produced beers.

"This has led us to the position we're in now, with hundreds of small breweries spread all over the country and making thousands of different beers.

"In technical terms, this represents horizontal product

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differentiation and a reduction in the importance of the economies of scale.

“That’s basically a clever way of saying variety is the spice of life and that more discerning tastes can be good for the economy.”

At the start of the 20th century even many villages had breweries, but their number and geographical spread went on to shrink alarmingly.

Falling transport costs and technological advances gave big brewers a huge advantage over their rivals, forcing the latter out of business.

By 1970 the number of breweries in England was just 141 – compared to 1,324 in 1900 – with most located in a few cities and towns.

The trend for bland, big-name products became so dominant that Ind Coope advertised its Long Life brand with the slogan “It never varies!”.

But CAMRA’s arrival and the group’s campaign for variety and quality raised consumer awareness and gradually ushered in a new era.

The result was the ongoing boom in microbreweries, which specialise in small production runs that make no economic sense for big breweries.

By 2004 the number of breweries in England stood at 480 – approximately the same as in 1939 – many of them again in small communities.

Professor Swann, a Professor of Industrial Economics, said: “We’re often told small businesses will be key to the UK’s financial recovery.

“The fall and rise of the local brew offers us a perfect example of ‘small is beautiful’, so it’s vital to see what lessons we can learn from it.

“One of the most important is that a demand for the predictable can lead to the greater geographical concentration of an industry.

About Nottingham University Business School

Nottingham University Business School is one of the UK’s pre-eminent centres for management education. It ranks among the world’s leading business schools in the Economist MBA Top 100 and the Aspen Institute’s ‘Beyond Grey Pinstripes’ Top 100, where it ranks first in the UK, third in Europe and 23rd globally for integrating social, environmental and ethical issues into management education and research.

The School is one of just 128 out of more than 7,000 worldwide to be accredited by EQUIS, the European Quality Improvement System, placing it among an elite international group of leading business schools. It is the only institution to be awarded accreditation for its three schools in the UK, China and Malaysia

In the 2008 Research Assessment Exercise (RAE) 70% of the School’s research was rated as “internationally excellent” or “world-leading”, ranking it sixth in the UK.

The School has pioneered entrepreneurship teaching and research at Nottingham, which won the 2008 Times Higher Entrepreneurial University of the Year award.

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“By contrast, a demand for diversity can lead to greater geographic dispersion – which is the excellent position brewing finds itself in now.

“CAMRA and the microbreweries should serve as an economic inspiration – and I say that as a man who doesn’t even like beer.”

Professor Peter Swann

Peter Swann joined Nottingham University Business School in 2004 as a Professor of Industrial Economics. His research interests centre on innovation, demand and wealth creation and innovation and sustainability. He has held several advisory positions with government, including specialist adviser to the House of Lords Committee on Science and Technology.

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